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Reports and Testimony: March 1992

Highlights

U.S. Postal Service

Unless Congress gives the Postal Service more competitive flexibility, the institution's viability will be continually threatened by the need to raise mail rates to offset market share losses to private carriers and electronic technologies. Page 18.

Medical Devices

Infrequent and poorly-timed inspection of medical device manufacturers limit the Food and Drug Administration's ability to prevent defective products from reaching consumers or to initiate recalls before they are triggered by complaints. Page 26.

Pension Benefits

Although the Pension Benefit Guaranty Corporation's 1990 and 1991 financial statements are unauditable because of poor internal controls and accounting systems, they show a growing risk from increased underfunding on single employer pension plans, especially those concentrated in the steel and automobile industries. Page 17.

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Agriculture and Food

Testimony

Pesticides: USDA's Pesticides Residue Research Project, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-RCED-92-38, Mar. 11 (13 pages).

By 1997 the Environmental Protection Agency (EPA) must assess and approve pesticides registered before November 1984. To meet this deadline, chemical companies are providing EPA with health and environmental data on these pesticides. The U.S. Department of Agriculture's (USDA) Interregional Research Project No. 4 (IR-4) supports this registration process by generating information on pesticides used on minor crops, which include vegetables, fruits, nuts, and ornamentals. This testimony provides a snapshot of (1) the status of IR-4 research supporting the pesticide registration process for minor crops, (2) how IR-4 currently uses its resources, and (3) GAO's observations on USDA's responsiveness to the availability of pesticides for use on minor crops.

Food Safety: USDA's Data Program Not Supporting Critical Pesticide Decisions, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems Issues, before the Subcommittee on Department Operations, Research, and Foreign Agriculture, House Committee on Agriculture. GAO/T-IMTEC-92-9, Mar. 11 (nine pages).

The U.S. Department of Agriculture (USDA) began collecting improved pesticide data in 1991. A cornerstone of this program is the identification and coordination of data needs and responsibilities with two other federal agencies—the Environmental Protection Agency and the Food and Drug Administration. GAO testified that USDA's Pesticide Data Program requires critical interagency evaluation and input. If the program's main objective is to support interagency pesticide data needs, it is essential that an interagency strategy guide the program. Otherwise, USDA may be jeopardizing a significant federal investment meant to improve risk and benefit assessments for pesticide regulation. The effort requires data that are clearly defined; agreements on data collection, management, and dissemination be well established; and the costs and expected benefits

associated with these efforts be articulated by the involved agencies and communicated to Congress.

Budget and Spending

Accrual Budgeting:

GAO's Views on the Proposed Treatment of Deposit Insurance and Pension Guarantees

GAO/AFMD-92-49R, Feb. 28 (11 pages).

This letter presents GAO's reaction to the Bush Administration's proposed accrual budget treatment of deposit insurance and pension guarantees. GAO believes that the current, cash-based budget treatment of deposit insurance and pension guarantees does not disclose the true costs of those programs and that the concept of reporting accruals in the budget is sound and could improve disclosure of program costs. The accrual calculations in the Administration's current proposal, however, go well beyond tested accrual accounting conventions and are suspect because of the uncertain assumptions and poor data behind the calculations. GAO concludes that the Administration's proposal is flawed and should be rejected by Congress pending further study.

Impoundments:

Comments on Proposed Deferrals of International Disaster Assistance and Timber Salvage Funds

GAO/OGC-92-5, Mar. 25 (three pages).

On February 19, 1992, the President submitted to Congress his third special impoundment message for fiscal year 1992. This message reports one proposed rescission of budget authority and one new deferral. It also revises the amount of one deferral already reported. GAO found the deferrals, which involve international disaster assistance funds at the Agency for International Development and timber salvage funds at the Forest Service, to be in accordance with the Impoundment Control Act. Funds proposed for rescission must be made available for obligation unless Congress acts on rescission bills within a 45-day period after receiving the proposal. GAO and the Office of Management and Budget agree that the 45-day period ends on April 4, 1992.

Business, Industry, and Consumers

Small Business: Problems in Restructuring SBA's Minority Business Development Program

GAO/RCED-92-68, Jan. 31 (50 pages).

The 8(a) program was created to improve the viability of small businesses owned by socially and economically disadvantaged individuals. Under the program, the Small Business Administration (SBA) enters into contracts with other federal agencies and subcontracts the work to firms in the program. Firms in the program are also eligible for financial, technical, and management assistance from SBA to aid their development. Concerned that obtaining access to the program was lengthy and burdensome, program administration was inefficient, and few firms were able to compete upon leaving the program, Congress passed the Business Opportunity Development Reform Act of 1988. This legislation requires that (1) applications be processed within 90 days, (2) 8(a) firms submit revised business plans so SBA can better monitor the firms' development, and (3) firms compete for certain contracts. SBA has had problems implementing many of these changes, and its lack of valid data on program activities has hindered effective program management. GAO summarized this report in testimony before Congress; see:

Small Business: The Small Business Administration's Progress in Restructuring Its 8(a) Business Development Program, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the House Committee on Small Business. GAO/T-RCED-92-35, Mar. 4 (17 pages).

Education

Apprenticeship Training: Administration, Use, and Equal Opportunity

GAO/HRD-92-43, Mar. 4 (44 pages).

America's continued economic well-being depends on how well it manages its human resources. Changing demographics, combined with the increasing complexity of work, have made training and retraining U.S. workers a critical issue. Apprenticeship training involves learning by doing under the auspices of a mentor or master craft worker. While the U.S. apprenticeship system has a good reputation for training skilled workers, its application has not extended much beyond traditional areas like

construction and manufacturing. This report determines (1) the use of apprenticeship to train workers, (2) federal and state resources dedicated to administering apprenticeship, and (3) the representation of minorities and women in apprenticeship.

**Stafford Student Loan Program:
Correspondence Schools' Loan Volume Declines Sharply**

GAO/HRD-92-62FS, Mar. 13 (16 pages).

Correspondence schools participating in the Stafford Student Loan Program are generally for-profit trade schools that offer postsecondary education through home study. GAO found that the average borrower default rate for students in correspondence schools was more than double the rate—42.2 percent versus 18.3 percent—for all schools participating in the Stafford program during fiscal years 1987-89. Thirty correspondence schools were eligible to participate during this period, and their students received about \$743 million in student loans. However, 16 of these schools, accounting for more than 90 percent of the loan volume, no longer participate in the program. If these 16 schools are excluded, the average default rate for correspondence schools drops to 27.8 percent.

Employment

**Employee Benefits:
States Need Labor's Help Regulating Multiple Employer Welfare
Arrangements**

GAO/HRD-92-40, Mar. 10 (26 pages).

Rising health care costs during the last decade have made it hard for small companies to obtain health insurance for their workers, and more and more businesses have been turning to pooled funds, known as multiple employer welfare arrangements (MEWA), to provide health benefits. Many MEWAs have reneged on their obligations, however, leaving millions of dollars in medical bills unpaid and many people stranded without any insurance at all. This report focuses on (1) the nature and extent of MEWA failures to pay bills and other problems; (2) hindrances to state regulation and enforcement of MEWAs; and (3) Department of Labor efforts to prevent MEWA problems, protect MEWA participants and their beneficiaries, and assist state enforcement.

**Child Labor:
Work Permit and Death and Injury Reporting Systems in Selected States**

GAO/HRD-92-44FS, Mar. 16 (16 pages).

Members of Congress, child labor law enforcement officials, parents, and educators have expressed growing concern that too many minors are working too many hours in hazardous jobs. Proposed legislation before Congress, the Child Labor Amendments of 1991, would create a federally mandated child labor work permit system. This fact sheet examines (1) how state work permit systems in three states—Arkansas, California, and Texas—differ from the type of system that the bill would require and (2) the changes those states would need to make to comply with the legislation's requirements. GAO also compares workers' compensation fatality and injury reporting requirements in all 50 states with the reporting requirements of the bill.

**Welfare to Work:
Effectiveness of Tribal JOBS Programs Unknown**

GAO/HRD-92-67BR, Mar. 19 (32 pages).

GAO could not assess the effectiveness of Job Opportunities and Basic Skills Training (JOBS) programs run by Indian Tribes and Alaska Native groups or determine outcomes resulting from these programs because evaluation criteria, including well-defined program objectives, were lacking and insufficient, and reliable program data were unavailable. The economic environment in which many Indian Tribes and Alaska Native organizations must operate may hinder the success of their Tribal JOBS programs. These programs are assisting participants prepare for and obtain employment at a time when few jobs are available, and unemployment on many reservations is high. In addition to poor economic conditions, Tribal organizations mentioned several implementation problems, including a lack of transportation and child care for program participants.

Testimony

Minimum Wages and Overtime Pay: Concerns About Statutory Provisions and Agency Tracking Systems, by Linda G. Morra, Director of Education and Employment Issues, before the Subcommittee on Employment and Housing, House Committee on Government Operations. GAO/T-HRD-92-21, Mar. 25 (14 pages).

About six million Americans—more than 65 percent of them women—were earning the minimum wage or less at the end of 1991, according to the Bureau of Labor Statistics. Federal minimum wage and overtime laws provide an important protection for these workers. GAO testified that statutory weaknesses identified in previous GAO reports and by the Department of Labor's Inspector General continue to impede enforcement of these laws. These weaknesses include (1) lack of civil monetary penalties for failure to keep adequate payroll records, (2) reliance on litigation-dependent enforcement procedures rather than more expedient formal administrative procedures, and (3) a statute of limitations that allows the back wages due employees to be reduced while Labor investigates or negotiates with the employer. In addition, Labor lacks information confirming the effectiveness of its procedures for obtaining back wages due employees. It cannot provide reliable information on the amount of agreed-upon back wages employees actually collected or what actions it has taken on cases in which employers refused to pay back wages.

Energy

**Energy Management:
Better Federal Oversight of Territories' Oil Overcharge Funds
Needed**

GAO/RCED-92-24, Feb. 21 (36 pages).

About \$68 million from two oil overcharge cases was made available to five U.S. territories—American Samoa, Guam, the Mariana Islands, Puerto Rico, and the Virgin Islands. In response to congressional concerns about whether these funds have been spent appropriately, this report examines (1) the amount of funds the territories have spent and whether this amount has been accurately reported to Congress and (2) whether the Departments of Energy and Health and Human Services have adequate monitoring procedures and have taken steps to ensure that the territories' use of oil overcharge funds are in accordance with legal requirements.

**Natural Gas:
Factors Affecting Approval Times for Construction of Natural Gas
Pipelines**

GAO/RCED-92-100, Feb. 26 (40 pages).

During the period of GAO's review, the median processing time for the Federal Energy Regulation Commission (FERC) to approve applications to build natural gas pipelines was about one year, but some approvals took much longer. FERC has tried to shorten the time it takes pipeline companies to receive approval to start construction, and Congress is considering several bills aimed at speeding or eliminating the need for FERC approval. Nevertheless, FERC could further improve its timeliness and performance in processing applications by better informing and training its staff and others on policy changes, negotiating generic agreements with other federal agencies on their environmental reviews of pipeline applications, and strengthening its management information system.

**Nuclear Waste:
Development of Casks for Transporting Spent Fuel Needs
Modification**

GAO/RCED-92-56, Mar. 13 (24 pages).

So that it can start removing radioactive wastes from the nation's nuclear plants in 1998, the Department of Energy (DOE) is developing two kinds of high-capacity casks for shipping spent fuel by truck or by rail and barge. The pace and direction of DOE's cask development program are based on the agency's conviction that a storage facility can be developed in time to receive and store the spent fuel by 1998. GAO doubts that DOE will have a facility up and running by then. Despite grant applications from possible host jurisdictions, the likelihood that a volunteer site will be found remains uncertain. This situation affords DOE an opportunity over the next several years to reevaluate the course and direction of the cask development program while conserving funds until there is a clear need to produce casks. With more time available, DOE can address whether possible technical and operational concerns might affect cask designs.

**Nuclear Health and Safety:
Increased Rating Results in Award Fee to Rocky Flats Contractor**

GAO/RCED-92-162, Mar. 24 (13 pages).

In 1989 GAO pointed out problems in the Department of Energy's (DOE) award fee process and recommended that DOE restructure it to reduce the level of discretion exercised in making a final determination. Although DOE tried to improve the process, the final outcome of the first award fee determination for EG&G—the contractor now running the Rocky Flats Plant in Colorado—indicates that some of same problems persist. Despite findings of significant deficiencies and marginal environmental, safety, and health performance, the contractor's overall performance was deemed "good" and slightly more than \$1.7 million was awarded. This increase was possible through discretion exercised by the fee determination official with the concurrence of DOE's Defense Program Office, suggesting that the process remains subjective. Furthermore, the fee was awarded without clearly showing that at least 51 percent of the fee was based on environmental, safety, and health performance—a DOE requirement.

**Energy Reports and Testimony:
1991**

GAO/RCED-92-120, Mar. 1992 (48 pages).

From the Persian Gulf War to the collapse of communism, world events significantly shaped GAO's work on energy topics in 1991. This annual index references GAO documents published last year in this issue area. Summaries of GAO reports and testimony are grouped under several subject headings. To assist the reader in obtaining documents, an order form is included.

Testimony

Energy Management: Systematic Analysis of DOE's Uncosted Obligations Is Needed, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-RCED-92-41, Mar. 24 (17 pages).

GAO testified on how the Department of Energy (DOE) analyzes uncosted obligations when formulating its budget requests. Generally, uncosted obligations are obligations that DOE has made to contractors for goods and services that have not yet been provided and for which no costs have been incurred. Thus, costs relating to the obligations will be incurred in the future. GAO discusses (1) the size of DOE's growing uncosted obligations, (2) their significance in the budget formulation process, (3) why the uncosted balances exist, and (4) DOE's analysis of uncosted obligations for its fiscal year 1993 budget request.

Nuclear Weapons Complex: Improving DOE's Management of the Environmental Cleanup, by Victor S. Rezendes, Director of Energy Issues, before the Department of Energy Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-92-43, Mar. 30 (17 pages).

Sound, credible management systems are essential to the Department of Energy's (DOE) cleanup of the nation's nuclear weapons complex. Addressing the environmental problems created by nearly half a century of nuclear weapons production is a herculean task. DOE and Congress will need to make hard choices between the weapons complex cleanup and other national needs. Management systems to set priorities, estimate project costs, and track programs will be critical to this decision-making. While DOE is making progress on these systems, further steps are necessary to improve the prioritization system and determine how it will be used, refine how DOE estimates costs, and complete and expand the Progress Tracking System.

Environmental Protection

Defense Health Care: Efforts to Address Health Effects of the Kuwait Oil Well Fires

GAO/HRD-92-50, Jan. 9 (12 pages).

The Defense Department (DOD) took reasonable steps to safeguard the health of U.S. troops exposed to the smoke and soot of the Kuwait oil well fires set by the Iraqis during the Persian Gulf War. In addition to advising troops on how to protect themselves, DOD provided them with protective gear. DOD has begun a major effort to assess the long-term health consequences of exposure to oil well fires. Whether troops will incur long-term health problems as a result of serving in the Gulf is still unknown. Predicting such long-term health consequences is a new undertaking, and how well the studies now underway will perform this task is unclear. DOD's plan to obtain information and develop a list of troops whom it determines to be at risk from exposure to oil fire smoke seems appropriate. This effort should provide necessary information should additional studies be needed or veterans' benefits become authorized in the future.

**International Environment:
Kuwaiti Oil Fires—Chronic Health Risks Unknown but
Assessments Are Under Way**

GAO/RCED-92-80BR, Jan. 16 (36 pages).

U.S. officials in Kuwait raised grave concerns about the health consequences of the pollution from the region's oil well fires. GAO reviewed an April 1991 report by several government agencies entitled Kuwait Oil Fires: Interagency Interim Report that argued that there was no significant acute health risk from the pollution to people with normal respiratory capacity and that more data are needed to determine long-term health risks. GAO concludes that the report's findings are reasonable, given that the scope of the study was limited, the team's findings and conclusions were qualified, and the team recognized the need for more data to determine long-term health risks. More monitoring has been done, and preliminary results suggest that, except for high particulate levels, Kuwait's air quality has generally been within established standards. The fires are now out, and both the Army and the Environmental Protection Agency have begun to assess long-term health risks, including those from particulate levels.

**Air Pollution:
Global Pollution From Jet Aircraft Could Increase in the Future**

GAO/RCED-92-72, Jan. 29 (28 pages).

Jet engines, having become cleaner since the Environmental Protection Agency (EPA) set hydrocarbon standards in 1982, continue to have a minimal impact on ground-level (defined as 0 to 3,000 feet) air pollution. Supersonic aircraft, however, can now fly in the upper ozone layer that protects all living things from the harmful effects of ultraviolet light. While few supersonic aircraft are in operation today, several hundred could be in service within the next 25 years, and their engine emissions could substantially reduce the ozone layer, making people more susceptible to skin cancer. In addition, preliminary but unproven research suggests that jet aircraft emissions may be adding to greenhouse gas problems. Because of these concerns, EPA must continue to closely monitor global pollution from jet aircraft so that it will be ready to develop a federal response to minimize any environmental consequences that arise.

Air Pollution:

EPA's Actions to Ensure Vehicle Compliance With Emission Standards

GAO/RCED-92-94BR, Jan. 13 (13 pages).

GAO followed up on the Environmental Protection Agency's (EPA) response to GAO's July 1990 recommendations on the effectiveness of EPA's motor vehicle testing program. (See GAO/RCED-90-128.) EPA agrees overall with GAO's recommendations, some which have been addressed by the Clean Air Act Amendments of 1990. Under this legislation, EPA can require states to deny vehicle registrations to owners who have not complied with recalls. EPA has also begun to address GAO's other recommendations, but several years will be required for comprehensive implementation. For example, changes to EPA's process for certifying that vehicles meet emission standards will not be effective until 1995. While EPA's acknowledgement of the problems and the agency's initial steps are positive, it is also clear that EPA, the auto manufacturers, and the states will need to continue working on vehicle compliance with emission standards over the useful life of the vehicle.

Asbestos Removal and Disposal:

EPA Needs to Improve Compliance With Its Regulations

GAO/RCED-92-83, Feb. 25 (20 pages).

Asbestos fibers, if inhaled, can cause lung cancer and other serious respiratory illnesses. Before the health risks were recognized, materials containing asbestos were incorporated into thousands of buildings nationwide. GAO examined the Environmental Protection Agency's (EPA) implementation of regulations governing the removal and disposal of asbestos during renovation and demolition of public and commercial structures. This report discusses (1) EPA's monitoring of building owners' and contractors' compliance with the regulations and (2) enforcement of the regulations when violations are detected.

Waste Minimization:

Major Problems of Data Reliability and Validity Identified

GAO/PEMD-92-16, Mar. 23 (38 pages).

National policy now makes hazardous waste minimization, which seeks to avoid waste production in the first place, the preferred way of handling such material. The Environmental Protection Agency (EPA) needs valid

data to measure how well U.S. industry prevents the generation of hazardous waste, as well as factors associated with successful waste production avoidance. GAO found that EPA's baseline hazardous waste minimization data are fraught with measurement problems, most of which are severe enough to greatly limit the data's usefulness in profiling the extent of waste minimization progress. These problems include ambiguities in definitions of key concepts, terms, and questions; governmental reporting requirements; and the relationship of production amounts and types to the volume of hazardous waste produced. These ambiguities cause reliability and validity problems for waste minimization program elements, waste stream information, and production mix data. The problems are so severe that the data cannot be adjusted to account for imperfect measurement; hence, waste minimization progress cannot be determined.

Testimony

Toxic Substances: EPA's Chemical Testing Program Has Not Resolved Safety Concerns, by Richard L. Hembra, Director of Environmental Protection Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-RCED-92-21, Mar. 18 (13 pages); and before the Subcommittee on Toxic Substances, Environmental Oversight, Research and Development, Senate Committee on Environment and Public Works. GAO/T-RCED-92-47, Mar. 25 (13 pages).

Previous GAO reports and testimony have pointed out Environmental Protection Agency (EPA) slowness in identifying potentially harmful chemicals and acquiring from the chemical industry the health and environmental test data needed to decide which chemicals to regulate. This testimony discusses how EPA reviews and acts on chemical test data once they are received from the industry. Specifically, GAO examines the basis for EPA's decisions on whether to take regulatory actions under the Toxic Substances Control Act, management controls over the chemical review process, and EPA's dissemination of information obtained through chemical testing.

Financial Institutions

Resolution Trust Corporation: Status of Asset Manager System

GAO/IMTEC-92-34BR, Mar. 5 (eight pages).

Resolution Trust Corporation: Status of Loans and Other Assets Inventory System

GAO/IMTEC-92-35BR, Mar. 5 (eight pages).

Resolution Trust Corporation: Status of Real Estate Owned Management System

GAO/IMTEC-92-36BR, Mar. 5 (16 pages).

Resolution Trust Corporation: Review of Information Reporting Requirements for Asset Management Contractors

GAO/IMTEC-92-37BR, Mar. 5 (nine pages).

Resolution Trust Corporation: Corporate Strategy Needed to Improve Information Management

GAO/IMTEC-92-38, Mar. 5 (12 pages).

Timely, accurate, and complete information is essential if the Resolution Trust Corporation (RTC) is to effectively manage and sell the assets of failed savings and loans. Critical to this endeavor are three key automated systems—the Real Estate Owned Management System, the Loans and Other Assets Inventory System, and the Asset Manager System—expected to cost about \$45 million through 1992. This report summarizes the findings of the four reports listed above, which detail limitations and concerns with RTC's systems development efforts and contractor reporting requirements. RTC's efforts to develop automation systems continue to disappoint. Major systems are plagued by basic problems, including unclear or changing requirements, inaccurate and incomplete data, poor response times, and software that is not user friendly. Although RTC has partially deployed the three automated systems, their intended benefits—such as supporting the disposal of real estate and loans or monitoring the performance of firms under contract to manage and sell assets—are yet to be realized. These systems development problems point

to a larger issue that RTC still needs to resolve: the lack of a corporate information strategy. Without guidance from the top, RTC risks operating without information vital to managing assets and overseeing contractors.

**Resolution Trust Corporation:
Further Actions Needed to Implement Contracting Management
Initiatives**

GAO/GGD-92-47, Mar. 5 (18 pages).

During its limited life, the Resolution Trust Corporation (RTC) will spend millions of dollars on private-sector contracts to manage and sell assets placed under its control. GAO reports that RTC has made substantial progress in strengthening its contracting system. More work needs to be done, however. GAO found that RTC field staff do not uniformly evaluate the competency of potential contractors and lack guidelines for evaluating the financial capability for potential contractors. GAO also discovered that less than two-thirds of contracting personnel at the locations it visited had contracting experience before coming to work at RTC. Accordingly, RTC needs to complete the development of its contracting training courses and accelerate the training. Without such improvements, there is no assurance that the best contractors will be hired to dispose of failed thrifts' assets.

**Securities Markets:
Challenges to Harmonizing International Capital Standards
Remain**

GAO/GGD-92-41, Mar. 10 (68 pages).

International trading of securities by U.S. and foreign investors increased dramatically during the 1980s. According to the Department of the Treasury, U.S. purchases and sales of foreign securities grew from about \$53 billion in 1980 to about \$707 billion in 1990. As international trading has increased, so too has concern about the risk to customers, firms, and markets resulting from differences in how various countries regulate their domestic securities markets. A primary protection has been the requirement that each institution buying and selling securities maintain enough excess assets, called capital, to satisfy claims by customers and creditors. International regulators are trying to "harmonize" capital standards; that is, establish an appropriate level of capital for securities firms and banks to maintain. This report (1) examines the status of current efforts to harmonize capital standards for securities activities and (2)

identifies the implications of harmonization efforts for U.S. securities markets and the U.S. capital standard.

**Government-Sponsored Enterprises:
System of Internal Controls at Freddie Mac, Fannie Mae, and Sallie Mae**

GAO/GGD-92-50, Mar. 31 (35 pages).

GAO's review of internal controls at the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal National Mortgage Association (Fannie Mae), and the Student Loan Marketing Association (Sallie Mae) uncovered no significant weaknesses except for Freddie Mac controls over its multifamily business. GAO's work was not comprehensive enough, however, to render an opinion on the design or operations of the entire control system of each of these government-sponsored enterprises. As a result of its weaknesses in controls over purchasing and servicing multifamily loans, Freddie Mac charged off over \$300 million against reserves from 1986 through 1990. Freddie Mac has made changes in personnel; suspended purchases of new multifamily loans; and revamped its methods for buying, servicing, and monitoring such loans. Freddie Mac does not plan to resume purchasing new multifamily loans until sometime in 1992.

Testimony

Resolution Trust Corporation: Preliminary Results of Western Storm Investigation and Related Contracting Deficiencies, by Richard C. Stiener, Director of the Office of Special Investigations, and by J. William Gadbsy, Director of Federal Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-OSI-92-5 and GAO/T-GGD-92-16, Mar. 3 (30 pages).

The main goal of the Western Storm Project was to reconcile the assets of 92 failed thrifts to the financial management records in the Resolution Trust Corporation's (RTC) Western Region. GAO testified that lack of early planning and inappropriate contracting techniques hampered RTC's ability to monitor contractor performance and control project costs for Western Storm. Specifically, RTC will have paid about \$24 million under a contract improperly issued on a sole-source basis. In addition, a contractor representative participated in three days of pre-award discussions with RTC officials about the upcoming project's scope and duration. Senior RTC officials knew about the contracting procedures used but did not ask for

advice on the appropriateness of the procurement procedure or require appropriate written justification and approval.

Resolution Trust Corporation: Performance Assessment for 1991, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-92-18, Mar. 5 (42 pages).

As the Resolution Trust Corporation (RTC) nears the point at which its inventory from failed thrifts will consist mostly of hard-to-sell financial and real estate assets, it is increasingly important that it have an aggressive and well-managed disposition program, as well as systems and controls to ensure that assets are protected and transactions are properly executed and recorded. Although RTC continued to make good progress in resolving thrifts during 1991, the Comptroller General testified that economic conditions and funding disruptions hampered RTC's scheduling and marketing efforts and contributed to RTC's resolving only 232 thrifts instead of the planned 268. RTC has successfully corrected several contract system deficiencies; however, contractor oversight and contract administration needs strengthening. RTC now lacks systems to ensure that its contracting officers are appropriately monitoring contractor operations. RTC's information systems development efforts continue to disappoint, and RTC still lacks adequate systems to support its critical mission of buying and selling assets. RTC's new head recently began a series of management projects to review and improve RTC's major programs. GAO believes that it is critical that RTC devote enough qualified staff so that the projects are completed as quickly and efficiently as possible.

Financial Management

Financial Audit:

Pension Benefit Guaranty Corporation's 1991 and 1990 Financial Statements

GAO/AFMD-92-35, Mar. 2 (32 pages).

This report presents the results of GAO's attempt to audit the Pension Benefit Guaranty Corporation's financial statements for 1991 and 1990. Included is GAO's disclaimer of opinion on the Corporation's 1991 financial statements and a description of weaknesses in internal controls and financial systems that continue to limit the Corporation's ability to prepare reliable financial statements. The Corporation has made a commitment to

correct the weaknesses, and this report describes the Corporation's efforts. It also discusses the Corporation's reported financial condition and operations, which continued to deteriorate during the fiscal year. Reflecting a \$600 million loss, the guaranty fund's deficit grew to more than \$2.5 billion. In addition, the fund is increasingly exposed to underfunded plans sponsored by companies facing severe financial difficulty. While the Corporation reports more than \$5 billion in cash and invested assets on hand to pay future benefits and other operating needs, the continuing growth in the unfunded deficit raises concern about the Corporation's ability to meet its long-term benefit obligations.

Government Operations

U.S. Postal Service: Pricing Postal Services in a Competitive Environment

GAO/GGD-92-49, Mar. 25 (104 pages).

The U.S. Postal Service, the nation's largest civilian employer, has operated for 20 years as a governmental quasi-corporation. It has successfully modernized its operations, improved compensation and working conditions for postal employees, foregone the direct taxpayer subsidies that used to support its operations, and maintained mandated universal service—equal service for the same price delivered anywhere in the country. Today, however, competition and constantly rising prices for its services threaten the viability of this important institution. This report (1) describes the Post Office's competition and its response to it, (2) examines the constraints and obstacles that affect its efforts to compete effectively, and (3) evaluates the major issues of postal ratemaking in a competitive environment.

Employee Conduct Standards: Some Outside Activities Present Conflict-of-Interest Issues

GAO/GGD-92-34, Feb. 10 (112 pages).

Among the 11 federal agencies GAO reviewed, the extent of approved outside activities varied, with speaking and consulting being the most common. Some agencies did not monitor employees' activities outside the government to the extent needed to avoid violations of related laws and regulations. Because of overly permissive approval policies, five agencies allowed some outside activities, such as speaking and consulting, that appeared to violate prohibitions against the use of public office for private

gain. These activities preceded Congress' January 1991 ban on the acceptance of honoraria by most federal employees for outside speeches, articles, and appearances. The ban applies whether or not the activity relates to government work. Congress is considering changing the ban so that it applies only to activities specifically relating to government work. Under new standards proposed by the Office of Government Ethics in July 1991, all executive branch agencies would be allowed to establish requirements for prior approval of employees' outside activities. GAO believes that the Office of Government Ethics needs to strengthen its standards on agency approval of outside activities. Prior approval of some kinds of activities, for example, could help agencies and employees avoid conflicts of interest. The Office of Government Ethics also needs to provide agencies with guidance on how to deal with these situations.

**Personnel Practices:
Propriety of Career Appointments Granted Former Political
Appointees**

GAO/GGD-92-51, Feb. 12 (59 pages).

Conversions of political appointees from noncareer to career status present a dilemma. On the one hand, it is reasonable to allow people who join the government as political appointees to compete for career status if they choose to continue their federal careers. On the other hand, the political nature of career appointments raises the specter of favoritism and improper advantage, even the appearance of which can compromise the integrity of the merit system. The Office of Personnel Management's review process and procedures have successfully identified and stopped some improper conversions, and GAO notes opportunities for further improvement. Even with these improvements, however, inherent difficulties remain in overseeing conversions to ensure adherence to merit system principles. Ultimately, selection decisions are subjective, and an agency official could follow procedures, conceal a prohibited motive, and plausibly defend his or her actions as a legitimate exercise of managerial discretion. If Congress believes that additional safeguards are needed, GAO suggests a control procedure that would provide greater assurance that conversions are consistent with merit system principles.

**International Trade Commission:
Administrative Authority Is Ambiguous**

GAO/NSIAD-92-45, Feb. 25 (69 pages).

The International Trade Commission (ITC) is an independent agency that conducts statutory trade investigations and reports to Congress and the President on a variety of international trade and economic policy issues. Its staff of 500 support a six-member, politically balanced commission led by a chairman. In response to concerns about how well ITC is functioning and whether its operations are hindered by the methods used for administrative decision-making, this report (1) assesses ITC's structure and operations, focusing on the powers and administrative responsibilities of the chairman; (2) examines problems in specific administrative areas, including the budget, personnel, and organizational structure, and the creation of an ITC Office of Inspector General; and (3) compares the agency to other independent federal commissions and considers particular options to improve ITC's administrative effectiveness.

**Management of Artwork:
Steps Taken to Preserve and Protect Bureau of Reclamation's
Collection**

GAO/RCED-92-92, Feb. 28 (eight pages).

In the late 1960s, the Department of the Interior's Bureau of Reclamation commissioned artwork depicting its water projects in the West. Because of inadequate record-keeping and controls, the Bureau has been unable to locate about 40 percent of the paintings, watercolors, and sketches in its collection. Some of the missing artwork may have been lost or stolen, and other pieces may have been returned to the original artists. The Bureau has done what it can to identify and locate the missing pieces, and since 1987 it has strengthened its accountability and controls over the remaining 201 pieces of art. Few of these pieces have been seriously damaged, and the Bureau has begun restoring the most valuable among them. The Bureau has not yet decided, however, how best to display its collection in offices and public facilities or loan out pieces for exhibit after their restoration.

**Federal Hiring:
Does Veterans' Preference Need Updating?**

GAO/GGD-92-52, Mar. 20 (47 pages).

The Veterans' Preference Act of 1944 requires federal agencies to give veterans preferential treatment in hiring as a way of thanking them for defending the United States. GAO found that while preference points and

rankings have been correctly applied in veterans' applications, veterans are often not hired. Agency officials passed over almost 80 percent of the veterans ranked first on Office of Personnel Management (OPM) and executive agency certificates and instead chose no one—a practice allowed by existing civil service laws and regulations. OPM does not know why certificates are often returned without anyone selected nor does it know why differences in veteran hiring patterns occur among agencies. Congress may wish to pursue this matter further after hiring patterns are more fully known and analyzed.

**Federal Recruiting:
Comparison of Applicants Who Accepted or Declined Federal Job Offers**

GAO/GGD-92-61BR, Mar. 20 (51 pages).

In surveying applicants who accepted or declined offers for entry-level professional and administrative jobs in the federal government, GAO found that financial considerations weighed heavily in their decisions to decline jobs. Upwards of two-thirds of applicants said that low salaries or the high cost of living in job locations caused them to lose interest in federal employment. In contrast, many of those accepting jobs said that opportunities for career advancement and the chance to apply education and job skills were central to their decisions. Unlike the decliners, the majority of the acceptors who were self-employed or in permanent jobs received pay increases when they joined the government. In addition, a larger proportion of acceptors were unemployed when they were offered a federal job, suggesting that the need for a better paying job—or a job of any kind—was a major factor in their decisions.

**The Changing Workforce:
Demographic Issues Facing the Federal Government**

GAO/GGD-92-38, Mar. 24 (88 pages).

A highly publicized 1987 report entitled Workforce 200: Work and Workers for the 21st Century issued dire warnings for the nation's employers in the next century, highlighting tight labor markets, mismatches between job requirements and workers' skills, and dramatic demographic changes. A companion report made similar predictions for the federal government. In examining the reports' implications for federal policymakers and workforce planners, GAO found that labor economists and other experts

disagree that labor shortages and skill gaps are likely by the year 2000. Experts generally agree, however, that the demographic composition of the labor force has changed and will continue to do so in the future. While many of these workforce changes and conditions seem to be more prevalent in the federal workforce, federal workforce planners should not assume that labor shortages and skill gaps are a given. GAO believes that changes in the number of women, minorities, and older workers in the federal government can be addressed through a variety of human resources programs, such as child care, flexible work schedules, and diversity training.

**Federal Workforce:
Agencies' Estimated Costs for Counseling and Processing
Discrimination Complaints**

GAO/GGD-92-64FS, Mar. 26 (35 pages).

How much do federal agencies spend on discrimination complaint counseling and formal discrimination complaint processing? For this fact sheet, GAO surveyed 29 departments and agencies to find out how much they spent to counsel people, investigate and reach decisions on complaints, and generally administer the discrimination complaint processing system. GAO found that they spent about \$139 million in fiscal year 1991, most of which went for counseling (\$40 million) and performing original investigations of formal complaints of discrimination (\$39 million). Most counseling took place before any formal complaint was filed. About one out of four individuals who were counseled later filed a formal complaint.

**Federal Office Space:
Obstacles to Purchasing Commercial Properties From RTC, FDIC, and
Others**

GAO/GGD-92-60, Mar. 31 (16 pages).

The General Services Administration (GSA) has not purchased any properties from the Resolution Trust Corporation (RTC) or the Federal Deposit Insurance Corporation (FDIC). It is trying to streamline its identification, consideration, and purchase of such properties, but progress has been slow. GSA has considered a few RTC properties on an ad hoc basis; tried unsuccessfully to get special sales concessions from RTC; obtained information on certain RTC properties in some locations where it

has building ownership plans and started considering them; and explored with the Office of Management and Budget how prospective purchases of RTC, FDIC, and other commercially available properties could be financed. GSA has not yet, however, begun to identify and consider available FDIC properties. RTC and FDIC, as well as other sellers may have properties that could satisfy the government's needs cost-effectively. GSA's ability to purchase such properties, however, is encumbered by funding and budgetary limitations, its lack of a comprehensive strategic approach for meeting federal space needs, and its lack of discretionary building purchase authority.

District's Workforce:

Annual Report Required by the District of Columbia Retirement Reform Act

GAO/GGD-92-78, Mar. 31 (10 pages).

The District of Columbia Retirement Reform Act provides for annual federal payments to a retirement fund for D.C. police officers and firefighters. To encourage the D.C. government to control disability retirement costs, these payments are to be reduced when the disability retirement rate exceeds an established limit. GAO reviewed a report prepared by an enrolled actuary on the District's disability retirement rate and concludes that no reduction is required in the fiscal year 1993 federal payment to the District's police and firefighters' retirement fund.

Testimony

Smithsonian Institution: Use of Appropriated Funds to Pay Dr. Mitchell's Legal Fees, by Gary L. Kepplinger, Associate General Counsel, before the Subcommittee on Libraries and Memorials, Committee on House Administration. GAO/T-OGC-92-2, Mar. 4 (seven pages).

In the spring of 1988, Dr. Richard Mitchell, a zoologist on detail to the Smithsonian from the Department of the Interior, flew to China, Pakistan, and Nepal for about three weeks. While in China, Dr. Mitchell participated in a big-game hunt in which several rare mountain sheep were shot and their hides and horns retained as trophies. When the hunters returned to the United States, these items were impounded and the hunters charged with violations of the Endangered Species Act. So far, the Smithsonian has spent more than \$350,000 to cover Dr. Mitchell's legal bills. In a July 1991 legal decision, GAO concluded that such funds should not have been used to pay Dr. Mitchell's legal expenses. This testimony explains in detail the

basis for that legal decision. Although he had an informal agreement with his supervisor to do some work for the Smithsonian while in China, Dr. Mitchell did not undertake this trip at the direction of the Smithsonian, nor did it primarily benefit the Smithsonian. Dr. Mitchell did not use Smithsonian funds to pay for any of the trip nor request or receive Smithsonian travel orders. Moreover, during the trip, he was on annual leave. In GAO's view, no reasonable basis exists for concluding that the official purposes of the Smithsonian were served by the activities of Dr. Mitchell giving rise to these legal expenses. This is, however, an issue that will have to be resolved by the Smithsonian Board of Regents and Congress, not the Comptroller General.

Office of Government Ethics: Need for Additional Funding for Regulation Development and Oversight, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service. GAO/T-GGD-92-17, Mar. 4 (14 pages).

GAO testified on proposed legislation that would remove the cap on the Office of Government Ethics' (OGE) authorization of appropriations. The cap is now set at \$5 million for each fiscal year through 1994. Because OGE needs more staff to develop regulations implementing new requirements and to review agency ethics programs, GAO concludes that OGE would be unable to effectively carry out its responsibilities if its funding level were limited to the \$5 million cap. Because Congress can appropriate funds in excess of the authorization cap, GAO suggests that Congress may want to explore options in addition to the cap, such as continued use of limited authorization periods, to help control OGE activities.

Federal Health Benefits Program: Stronger Controls Needed to Reduce Administrative Costs, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. GAO/T-GGD-92-20, Mar. 11 (14 pages).

GAO testified that the administration costs of the fee-for-service portion of the Federal Employees Health Benefits Program are higher than the costs for other large health benefits programs, mainly because the carriers are not given enough incentive to cut their operational expenses. GAO estimates that potential annual savings could range from at least \$35 million in the short term, if the Office of Personnel Management improves its controls over the operational expenses of fee-for-service plans, to as

much as \$200 million through legislative reforms that would provide a more uniform benefits structure and change the way contractors are chosen and paid.

Education's Library: Actions Needed to Improve Usefulness, by Linda G. Morra, Director of Education and Employment Issues, before the Subcommittee on Select Education, House Committee on Education and Labor. GAO/T-HRD-92-18, Mar. 18 (seven pages).

GAO testified on the Department of Education's Research Library, which contains more than a quarter million volumes, some dating back to the 15th century. While this is a potentially valuable facility for educational researchers, policymakers, and others, a lack of clear policies on collection development and weaknesses in cataloging and preservation limit its usefulness. In an April 1991 study, GAO cited serious problems at the Library, including a lack of publicity about the Library's resources and the poor condition of the rare books collection. (See GAO/HRD-91-61.) The Department has responded to GAO's recommendations, establishing a mission for the Library and working to define a collection development policy. Once that is accomplished, the Department should ensure that budgeted resources are consistent with the revised mission and policy.

Federally Sponsored Contracts: Unallowable and Questionable Indirect Costs Claimed by CH2M Hill, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-RCED-92-37, Mar. 19 (34 pages).

CH2M Hill, an engineering firm that cleans up toxic waste sites under a contract with the Environmental Protection Agency (EPA), improperly billed the government almost \$2.3 million in "overhead" costs for items such as ballgame tickets, liquor at company parties, spouse travel, and flying company aircraft. GAO testified that these unallowable and questionable indirect costs to the government arose from inadequate contractor internal controls, insufficient oversight by federal agencies, and subjective allowability criteria. CH2M Hill has begun changing its accounting controls and is instituting more complete review of some expenses, such as lodging costs. In GAO's view, however, the problems identified call for two types of federal action. The first is improved oversight by EPA, the agency responsible for reviewing the firm's charges. Second, a number of subjective areas in the Federal Acquisition

Regulations, such as employee morale and welfare expenses, may need tightening.

Health

Medical Technology: Quality Assurance Needs Stronger Management Emphasis and Higher Priority

GAO/PEMD-92-10, Feb. 13 (100 pages).

Despite regulations intended to prevent the production and distribution of unsafe or ineffective medical devices, some critical and life-supporting items like emergency ventilators and heart valves have been recalled from the market recently due to manufacturing defects. GAO found that the Food and Drug Administration's (FDA) compliance program for medical devices, which assesses manufacturers' implementation of quality assurance requirements, has been plagued by weaknesses. Inspections have been too infrequent to meet statutory minimum requirements. When inspections have occurred, they often did not find problems that emerged later. When problems were identified and targeted, they often went unreported despite requirements to report them. In addition, FDA inspectors have not received enough training, and the agency's data systems contain major gaps. GAO summarized this report in testimony before Congress; see:

Medical Technology: Implementing the Good Manufacturing Practices Regulation, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-PEMD-92-6, Mar. 25 (16 pages).

Drug Abuse Research: Federal Funding and Future Needs

GAO/PEMD-92-5, Jan. 14 (53 pages).

Federal support from the two principal agencies for drug abuse research—the Department of Health and Human Services (HHS) and the Department of Justice—increased more than 200 percent between 1980 and 1990 (more than 400 percent if funding related to AIDS is included). In contrast, outlays for national defense research and development rose by 83 percent while nondefense research and development fell by five percent during that same period. Of the three categories of drug abuse

research funding GAO studied—causality, prevention, and treatment—HHS' National Institute on Drug Abuse spent the most on treatment, followed by prevention and causality. Funding for studies on the causes of drug abuse has remained tiny, never exceeding .01 percent of the nation's drug control budget. The Department of Justice has spent as much on prevention studies as on causality and treatment studies combined. Expert researchers agree on the importance of more research on the psychological and social/environmental factors leading to drug abuse.

Medicare:

Rationale for Higher Payment for Hospital-Based Home Health Agencies

GAO/HRD-92-24, Jan. 31 (14 pages).

GAO concludes that allowing hospitals additional reimbursement for home health services is consistent with Medicare payment principles and federal legislation. The add-on is designed to pay a hospital for legitimate costs allocated to its home health agency if those costs cause its total home health agency costs to exceed predetermined Medicare cost limits. Nonetheless, the effect of this policy is to pay some hospitals more than freestanding home health agencies for the same services. GAO discusses several factors that suggest that the add-on may be unnecessary to ensure beneficiary access to home health care.

Medicare:

Payments for Medically Directed Anesthesia Services Should Be Reduced

GAO/HRD-92-25, Mar. 3 (28 pages).

The Omnibus Budget Reconciliation Act of 1987 reduced Medicare payments to anesthesiologists when they concurrently direct certified registered nurse anesthetists. Concurrently directed cases are those in which one anesthesiologist is involved in two or more overlapping surgeries. For each surgery, the anesthesiologist must meet several conditions, including being present when the patient enters and leaves anesthesia and providing directions to the nurse anesthetists, who actually do much of the work. GAO found that Medicare still pays substantially more for directed cases than for services provided personally by an anesthesiologist. Because physicians' hourly revenue for concurrently directed services is much higher than for personally provided services,

Medicare payments can influence the way in which anesthesia is delivered. GAO concludes that Medicare should set a fair price for anesthesia services and pay that amount regardless of how the service is delivered. GAO believes that the reduced payment was not large enough to cause anesthesiologists to alter their relationship with nurse anesthetists. Other factors that may contribute to maintaining the anesthesiologist-nurse status quo are the (1) shortage of nurse anesthetists and (2) ratio of anesthesiologists to nurse anesthetists in an area.

**Medigap Insurance:
Insurers Whose Loss Ratios Did Not Meet Federal Minimum
Standards in 1988-89**

GAO/HRD-92-54, Feb. 28 (21 pages).

The percentage of premiums returned to Medigap insurance policyholders as benefits (called the loss ratio) for both 1988 and 1989 were 75 percent for policies sold to groups and 60 percent for policies sold to individuals. In 1988, 335 companies collected \$7.3 billion in premiums for Medigap policies. By 1989, these numbers had increased to 348 companies and \$8.1 billion. GAO found that 10 percent of premiums in 1988 (or \$388 million) were for policies from companies that did not meet the loss ratio standards. By 1989, this had risen to 17 percent (or \$805 million). As of November 1991, insurers must grant refunds or credits to policyholders in amounts sufficient to raise loss ratios to the standards. If this federal requirement has been in effect in 1988-89, policyholders would have been entitled to about \$75 million in refunds and credits.

**Health Insurance:
Small Group Market Reforms**

GAO/HRD-92-27R, Mar. 12 (four pages).

In response to the developing crisis of affordability and availability of health insurance for small firms, Congress is considering legislation to reform the small group health insurance market. This letter, drawing on past and ongoing GAO work, examines the effect of small group reforms on premium costs, the nature of state reforms and their results, and whether state insurance departments have adequate resources to ensure regulatory compliance with reform proposals. GAO is concerned that current reform proposals neither stop nor reduce the rising cost of health care, the major reason small businesses give for not providing health benefits. GAO

concludes that small group market reforms at the state level have induced few small businesses to provide health benefits to their employees.

**Cross Design Synthesis:
A New Strategy for Medical Effectiveness Research**

GAO/PEMD-92-18, Mar. 17 (121 pages).

With the establishment of the Agency for Health Care Policy and Research in 1989, Congress launched an “effectiveness initiative” intended to improve the quality of health care through research-based development of national guidelines for medical practice. Credible guidelines require research results that are both scientifically valid and relevant to the conditions of medical practice. The elusiveness of such information, however, is becoming increasingly apparent, and the task facing the new agency is a difficult one. This report assesses ways to determine how well medical treatments actually work and presents a new strategy—“cross design synthesis”—for medical effectiveness research.

**Community Health Centers:
Administration of Grant Awards Needs Strengthening**

GAO/HRD-92-51, Mar. 18 (30 pages).

The Community and Migrant Health Center program helps obtain adequate health care for people who would otherwise be without it. In fiscal year 1990, Congress appropriated \$530 million to support about 550 health center grantees under the program. In reviewing the Bureau of Health Care Delivery and Assistance’s policies and procedures for awarding grants to health centers and national associations, GAO found that the Bureau has deviated from legislative and agency grant requirements concerning competitive awards, funding levels, and application reviews.

Testimony

Cancer Treatment: Efforts to More Fully Utilize the Pacific Yew's Bark, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries; the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs; and the Subcommittee on Forests, Family Farms and Energy, House Committee on Agriculture. GAO/T-RCED-92-36, Mar. 4 (six pages).

The bark of the Pacific yew is the only approved source of taxol, an anticancer drug that has been shown effective in treating ovarian cancer. The limited supply of Pacific yew bark coupled with existing and potential demand mean that the bark needs to be as fully utilized as possible. For a variety of reasons, however, not all the bark that could have been collected on federal lands in 1991 was collected. Both responsible federal land-managing agencies and private industry are taking or planning actions to more fully use the bark, and increased utilization should be seen in 1992. These actions appear to be consistent with provisions of the Pacific Yew Act of 1991 intended to achieve full utilization of the bark.

Health Care: Problems and Potential Lessons for Reform, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Government Operations. GAO/T-HRD-92-23, Mar. 27 (11 pages).

The rapidly mounting costs of health care and the fact that access to health care is unavailable to a growing share of the American people have generated consensus that the U.S. health care model needs significant change. In this field hearing in Rochester, New York, the Comptroller General discussed the need for a better way to manage and finance America's health care system while preserving high quality and innovation. GAO has reviewed approaches developed in the U.S. and abroad that might help address these issues. Some common themes emerge in successful domestic and foreign programs, including universal coverage, a uniform system for managing payment of providers, and expenditure targets or caps for major categories of providers and services. Rochester, in particular, appears to have been more successful than most communities in controlling the twin problems of rapidly rising costs and dwindling access to health insurance. GAO is beginning a detailed study of the Rochester health care system to learn more about the roles of community rating and health planning.

Housing

Housing and Community Development Products: 1990-91

GAO/RCED-92-111, Mar. 1992 (68 pages).

This publication summarizes GAO reports and testimonies on housing and community development issues, such as prevention of homelessness and revitalization of blighted urban areas. Grouped under seven categories—homeownership assistance, rental and public housing, homelessness, community development, small and minority business, disaster assistance, and related topics—these abstracts profile GAO's work in this area during 1991. Order forms are provided to obtain specific reports or testimony.

Testimony

Public Housing: Issues in Housing the Nonelderly Mentally Disabled With the Elderly, by Judy A. England-Joseph, Director of Housing and Community Development Issues, before the Congressional Staff Symposium on Nonelderly Disabled Persons Living in Public Housing for the Elderly. GAO/T-RCED-92-44, Mar. 27 (13 pages).

GAO testified that nonelderly mentally disabled people occupied about nine percent of the public housing units for the elderly in 1990. Almost one-third of these households reportedly caused moderate or serious problems due to alcohol abuse or excessive noise and the presence of disruptive visitors. These situations result in problems for the public housing agency (PHA) management and in conflicts with elderly tenants. Under federal anti-discrimination laws, people with mental disabilities may not be lawfully excluded from or segregated in public housing for the elderly under the conventional public housing program. Various proposals have been put forth to address this situation, ranging from offering several housing options to mentally disabled persons to requiring that the Department of Housing and Urban Development provide more detailed guidance to PHAs on how to determine whether nonelderly mentally disabled applicants will make suitable tenants. As it weighs these proposals, Congress will have to consider the effect of antidiscrimination laws, the expected behavior of nonelderly mentally disabled people in different housing settings, and the availability of funds for providing alternative forms of subsidized housing and mental health services.

Income Security

Testimony

Women's Pensions: Recent Legislation Generally Improved Pension Entitlement and Increased Benefits, by Jane L. Ross, Associate Director for Income Security Issues, before the Subcommittee on Retirement Income and Employment, House Select Committee on Aging. GAO/T-HRD-92-20, Mar. 26 (13 pages).

This testimony focuses on how recent changes to the private pension rules have improved pension entitlement and benefits for working women and widows. GAO discusses (1) the impact of the vesting and distribution provisions under the Tax Reform Act of 1986, (2) widow's receipt of survivor pension income and the act's impact on their access to benefits, (3) the role of the private pension system in improving the economic condition of poor widows, and (4) recent Internal Revenue Service efforts to improve the effectiveness of pension documents important to the wives of private pensioners.

Information Management

Medicare: Shared Systems Policy Inadequately Planned and Implemented

GAO/IMTEC-92-41, Mar. 18 (15 pages).

To save administrative costs and promote uniformity, the Health Care Financing Administration (HCFA) has been encouraging its Medicare claims-processing contractors to share automated data processing systems. In fiscal year 1991, HCFA paid 85 contractors \$1.4 billion to process more than half a billion Medicare claims. This report presents GAO's evaluation of (1) HCFA's implementation of this policy and (2) the policy's impact on Medicare claims processing. GAO summarized this report in testimony before Congress; see:

Medicare: Shared Systems Policy Inadequately Planned and Implemented, by Frank Reilly, Director of Human Resources Information Systems Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-IMTEC-92-11, Mar. 18 (seven pages).

Testimony

Tax Systems Modernization: Factors Critical to Success, by Howard G. Rhile, Director of General Government Information Systems Issues, before the Subcommittee on Treasury, Postal Service and General Government, House Committee on Appropriations. GAO/T-IMTEC-92-10, Mar. 10 (24 pages).

During the past 25 years, the Internal Revenue Service (IRS) has twice attempted and failed to modernize its antiquated tax-processing systems. GAO testified that IRS is now in the best position ever to modernize its systems and change the way it does business. Basic planning is well underway for IRS' third effort in this area—the Tax Systems Modernization program. GAO reviews the following critical factors that IRS needs to address to ensure the program's successful implementation: the need for a vision and complete plans to guide the modernization; a mechanism to track its progress; a strategy for dealing with technological risks; improved management of the procurement and systems development processes; a strategy for having the right personnel involved; and greater attention to security and privacy issues.

International Affairs

**Foreign Investment:
Issues Raised by Taiwan's Proposed Investment in McDonnell Douglas**

GAO/NSIAD-92-120, Feb. 6 (10 pages).

Taiwan Aerospace Corporation's proposed acquisition of a 40-percent equity share in McDonnell Douglas Corporation raises important public policy questions about the interrelationships between U.S. commercial and national security interests. In a sense, this investment crystallizes a variety of questions about the government's role in enhancing the vitality of the U.S. technology base as the foundation of both U.S. commercial competitiveness and national security. This report explains in detail issues and questions relating to the acquisition's implications for U.S. national interests. GAO puts these questions, which it does not attempt to answer, into a framework useful for congressional consideration.

**Economic Sanctions:
Effectiveness as Tools of Foreign Policy**

GAO/NSIAD-92-106, Feb. 19 (32 pages).

Economic sanctions are being used more frequently by the United States and other nations as a tool of foreign policy. GAO examined 27 episodes from the post-World War I period that were particularly illustrative of the sanctions' effects. This report discusses (1) the political goals that economic sanctions can and cannot achieve; (2) the social, economic, political, and psychological effects of sanctions; and (3) the circumstances under which sanctions are likely to succeed or fail.

**Foreign Aid:
Police Training and Assistance**

GAO/NSIAD-92-118, Mar. 5 (22 pages).

In the 1970s, Congress passed legislation prohibiting U.S. agencies from using foreign economic or military assistance funds to aid foreign police. Later, however, Congress granted many exemptions to permit assistance, such as for narcotics control and counterterrorism tactics. GAO could not determine the total extent or cost of U.S. assistance to foreign police because some agencies do not maintain such data. GAO did identify 125 countries that received U.S. training and assistance for their police forces during fiscal year 1990 at a cost of at least \$117 million. Former and current U.S. government officials and academics who have been involved with assistance to foreign police forces said that headquarters guidance and coordination of such assistance are limited. Some believe that activities may be inefficiently implemented and unsupportive of overall U.S. policy goals.

**AID Management:
Strategic Management Can Help AID Face Current and Future
Challenges**

GAO/NSIAD-92-100, Mar. 6 (29 pages).

From the breakup of the Warsaw Pact to the formation of the Commonwealth of Independent States, the United States confronts increasing demands for economic assistance. The Agency for International Development (AID) is the lead agency for U.S. bilateral economic assistance. This report discusses AID's current efforts to introduce strategic management and compares them to a model for strategic management that GAO developed for use in other agencies. It also describes some of the persistent management problems and future challenges facing AID. Despite its efforts, AID still lacks a clearly articulated

strategic direction shared by key internal and external groups. GAO concludes that establishing and following a strategic management process should enable AID to develop an agencywide direction, select effective management strategies and address critical issues, and assign accountability and monitor feedback.

**U.S. Department of Agriculture:
Better Trade Show Management Can Increase Benefits to
Exporters**

GAO/NSIAD-92-122, Mar. 10 (51 pages).

Recognizing the usefulness of trade shows, many countries, including the United States, use them to promote exports of their consumer-oriented agricultural products—basically finished goods needing little or no additional processing, such as fruits, nuts, milk, and chocolate. During the 1980s, world exports of these products rose from \$92 billion to \$149 billion, or more than half of all world agricultural exports by 1989. This report assesses the U.S. Department of Agriculture's (USDA) trade show program. GAO discusses (1) the trade show program's role in promoting U.S. agricultural exports, (2) USDA's program management, (3) USDA's subsidizing of trade show exhibitors, and (4) USDA's program evaluation.

**Mexican Oil:
Issues Affecting Potential U.S. Trade and Investment**

GAO/NSIAD-92-169, Mar. 18 (36 pages).

This report deals with issues affecting potential future U.S. trade with and investment in Mexico's petroleum industry. GAO discusses (1) recent trends in Mexican oil production and exports and the main factors affecting Mexico's ability to meet current production and export goals, (2) the views of U.S. oil-producing and oil service contracting companies on principal barriers to and possible benefits of U.S. trade with and investment in Mexico's oil industry and the response of Mexican officials, and (3) U.S. government efforts to help Mexico's petroleum sector. GAO summarized this report in testimony before Congress; see:

Mexican Oil: Mexican Policies Affect U.S. Trade and Investment Opportunities, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on International Economic

Policy and Trade and on Western Hemisphere Affairs, House Committee on Foreign Affairs. GAO/T-GGD-92-24, Mar. 26 (10 pages).

**Foreign Direct Investment:
Assessment of Commerce's Annual Report and Data Improvement
Efforts**

GAO/NSIAD-92-107, Mar. 18 (63 pages).

To foster public debate on foreign investment issues through improved government information, Congress passed legislation requiring the Department of Commerce to issue annual reports on the history, scope, trends, and market concentration of foreign direct investment. Commerce issued its first report in September 1990. To improve analysis of the effects of foreign direct investment on the U.S. economy, the legislation also allows statistical data to be shared among federal agencies. This report (1) analyzes Commerce's annual report on foreign direct investment and makes recommendations for changes in the report due the following year and (2) reviews government efforts to improve the quality of foreign direct investment data, including the status and process for reconciling data exchanged among federal agencies.

Testimony

Export Promotion: U.S. Programs Lack Coherence, by Allan I. Mendelowitz, Director of International Trade and Finance Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-GGD-92-19, Mar. 4 (14 pages).

The federal government's export promotion efforts—involving \$2.7 billion in direct funding and \$21.4 billion in loan guarantees—lack an explicit strategy or set of priorities, GAO testified. The federal government could do a better job of helping competitive companies enter world markets by better targeting the funds devoted to export promotion programs. It is not within the power of the U.S. government, however, to transform individual companies into world-class competitors—only company management can achieve that. Some U.S. firms in Japan have demonstrated that it can be done, and that is the message that must get across. The government can provide help, but only to those companies that work to become world-class competitors.

U.S. Department of Agriculture: Management Issues Remain Unresolved in the Market Promotion Program, by Allan I. Mendelowitz, Director of

International Trade and Finance Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-GGD-92-25, Mar. 25 (19 pages).

Established in the 1930s, the Market Promotion Program seeks to encourage the development, maintenance, and expansion of U.S. agricultural exports. While open to a wide variety of exporters, the program gives priority to firms harmed by unfair trade practices. This testimony addresses (1) the program's goals; (2) whether program regulations have been sufficient to ensure sound fiscal management; and (3) whether the U.S. Department of Agriculture has implemented recommendations made in GAO's June 1990 report (GAO/NSIAD-90-225) on the Targeted Export Assistance Program, the predecessor to the Market Promotion Program.

Justice and Law Enforcement

Employee Misconduct: Justice Should Clearly Document Investigative Actions

GAO/GGD-92-31, Feb. 7 (49 pages).

This report reviews the operations of the Department of Justice's Office of Professional Responsibility, which was established to review allegations of criminal and ethical misconduct by Justice employees ranging from drug use to improper disclosure of grand jury information. GAO estimates that allegations were substantiated in nine percent of 411 cases handled from January 1988 through May 1990. While GAO cannot conclude that the Office of Professional Responsibility has failed to protect the integrity of the Justice Department, its informal approach to investigations, the limited scope of many of its investigations, and the minimal documentation contained in its files expose it and the Justice Department to a variety of risks.

Testimony

Customs Service: Comments on the Customs Modernization and Informed Compliance Act, by J. William Gadsby, Director of Federal Management Issues, before the Subcommittee on Trade Operations, House Committee on Ways and Means. GAO/T-GGD-92-22, Mar. 10 (13 pages).

GAO provided its views on the Customs Modernization and Informed Compliance Act, which would modernize U.S. Customs Service procedures by removing outdated laws requiring paper documentation and allowing for full electronic processing of all Customs transactions. In

particular, Section 201 of the bill would give Customs the legal basis to fully implement the automated systems for processing imported goods electronically that it has been developing during the past several years. These systems are crucial if Customs is to meet its trade enforcement responsibilities. GAO believes that Section 201 sets useful goals for Customs operations, authorizes Customs to institute much needed automated systems, and provides a useful framework for exercising congressional oversight. This oversight is needed to ensure that Customs overcomes problems that could hinder achieving the goals of the National Customs Automation Program. These problems include questionable effectiveness of Customs trade enforcement as well as management practices involving planning, performance monitoring, and information requests.

National Defense, Security, and Military Procurement

Navy Acquisition: Development of the AN/BSY-1 Combat System

GAO/NSIAD-92-50, Jan. 31 (26 pages).

AN/BSY-1, a computer-based combat system intended for nuclear-power attack submarines, is designed to detect, classify, track, and launch weapons at enemy targets. GAO found that the AN/BSY-1 does not have all of the capabilities originally planned. It does not distribute data as quickly or have as many data processing units, and it lacks some of the redundancy and expansion space planned for in the earlier program. The Navy's developmental testing and evaluation of AN/BSY-1, completed in October 1990, generally concluded that the system's goals were achieved. The shipbuilders were awarded about \$218 million for adjustments arising from AN/BSY-1 and other ship design changes. The shipbuilders will also experience schedule delays averaging 19 months; however, GAO was unable to determine the amounts of the awards and delay caused solely by combat system problems.

Strategic Defense Initiative: Changing Design and Technological Uncertainties Create Significant Risk

GAO/IMTEC-92-18, Feb. 19 (50 pages).

The Strategic Defense Initiative (SDI) has consumed billions of dollars and undergone repeated changes in its objectives and design during nearly a

decade of research and development, yet the tremendous technical challenges still facing "Star Wars" increase the risk that its promised protection against enemy missiles will not be realized. This report reviews the status, challenges, and risks associated with SDI's automated data processing and communications technologies. GAO notes that including or excluding integration capabilities for space-based interceptors in the missile defense system architecture has significant design and cost implications but to what degree is unknown. In proceeding with a system that uses both ground- and space-based interceptors, SDI will be pushing the cutting edge of technology and will have to rely on some unproven technologies.

**Strategic Defense Initiative:
15-Year Funding Requirements**

GAO/NSIAD-92-92FS, Feb. 24 (29 pages).

In the spring of 1991, the Director of the Strategic Defense Initiative Organization testified before Congress on his funding needs through fiscal year 2005. He projected that funding for the Strategic Defense Initiative (SDI) program will peak during fiscal years 1995 through 2000 at roughly \$7 billion in fiscal year 1991 dollars. This fact sheet describes in detail funding requirements for (1) the Global Protection Against Limited Strikes system's three segments—Global, National, and Theater Defenses, (2) the major weapon and sensor projects in each segment, (3) technology development, and (4) management and support for the whole SDI program.

**Defense Acquisition:
More Data Needed on Individuals Convicted of
Procurement-Related Crimes**

GAO/NSIAD-92-35, Feb. 20 (11 pages).

The Department of Justice and the Defense Department (DOD) work together investigating and prosecuting felonies arising from defense contracts. Individuals convicted of defense procurement-related crime can be debarred from defense contracting. The General Services Administration (GSA) places the names of debarred individuals on a list of persons excluded from all federal procurement. However, because the GSA list omits those individuals convicted of a defense procurement-related felony but, for some reason, not debarred by DOD, it is of limited usefulness to contractors and the government in preventing felons from doing

defense-related work. GAO recommends that a monthly list be published of all individuals convicted of defense-related felonies and that this list be distributed to federal agencies and contractors involved in federal procurement.

**Defense Procurement:
Improvement Needed in Technical Data Management**

GAO/NSIAD-92-23, Feb. 25 (27 pages).

Small businesses are concerned about their continuing inability to compete for Defense Department (DOD) contracts because they cannot get timely access to current, accurate, and complete technical data. DOD is still working on automating its systems to provide data in digitalized form. The military services run 24 repositories to manage the receipt, storage, and distribution of technical data for DOD procurement. The repositories generally lack the necessary records to monitor their own timeliness, although they generally respond promptly to most requests for technical data. Data problems continue to inhibit contractors from competing for government work or completing the work after a contract is awarded. Repository managers say that data quality problems often begin during the acquisition process and cannot be fixed. Repositories mainly receive, store, and distribute information. DOD is relying heavily on automation to improve the operations of its technical data repositories. Although the automation effort began slowly because of inadequate direction and coordination, DOD is now making progress.

**Electronic Warfare:
Radar Jammer Proliferation Continues**

GAO/NSIAD-92-83, Feb. 28 (41 pages).

The Air Force and the Navy continue to develop separate jammer systems—electronic devices that protect tactical aircraft by interfering with the radar systems of enemy weapons—instead of building a less-costly joint system. The services have been urged repeatedly to develop jammers that can be used by more than one service to meet the common air defense threat, thereby avoiding duplicative costs for system development, enabling lower unit production costs through larger quantity buys, and simplifying logistical support while lowering costs. The military services, however, continue to acquire many different jammer systems to protect the same type of aircraft against a common threat, and no

commonality has been achieved. Furthermore, the prospects for commonality are bleak because the Air Force has abandoned the only program having promise for commonality. The proliferation continues in part because of ineffective DOD oversight.

**Operation Desert Storm:
Army Had Difficulty Providing Adequate Active and Reserve
Support Forces**

GAO/NSIAD-92-67, Mar. 10 (56 pages).

Support forces were critical to the success of Operations Desert Shield and Storm. However, unreliable data on unit readiness, the unanticipated extended period that the limited reserve call-up remained in effect, and the incremental way in which the Defense Department ran the call-up created an extensive force selection process that might have posed problems had there been less time to prepare for combat. The Army lacked specific plans for correcting personnel and equipment shortages under a limited call-up and had to extensively transfer resources among units. The long lead time for the buildup, modern ports and airstrips, host nation support, and the war's short duration allowed the Army to provide most needed support forces. Despite these favorable conditions, the Army ran out of some types of units and had no contingency plans for creating new ones when shortages were forecast. Ad hoc measures filled some gaps, but remaining deficiencies could have had serious consequences had events unfolded differently. In revising its force structure, the Army is adding some active support forces for its contingency force and is considering substituting additional active support forces for reserves in this force. GAO believes that the Army needs to examine and address the factors that led reserves to be excluded from this war to preserve as many roles as possible. Improved mobilization procedures might make it feasible for more reserve support forces to participate in the contingency force.

**Defense Industrial Base:
DOD's Manufacturing Technology Program Needs Systematic
Evaluation**

GAO/NSIAD-92-74, Mar. 12 (22 pages).

To improve the productivity and responsiveness of the defense industrial base, Congress has appropriated about \$2 billion since 1980 to the Defense Department's (DOD) Manufacturing Technology Program. Yet DOD lacks

reasonable assurances that the program, which provides research and development seed money to help develop advanced manufacturing processes and equipment, is being effectively implemented. Long-standing problems with the program's central management information system have gone uncorrected. The services' annual reports describe individual projects but do not address the extent to which program goals, priorities, and planned approaches are being carried out; cost savings or financial benefits attributed to specific projects are unreliable. DOD has not developed a way to assess the program's impact. While DOD is required to develop a Manufacturing Technology Plan, so far it has not established guidance that will enable it to measure and evaluate program effectiveness.

**DOD Service Academies:
Academy Preparatory Schools Need a Clearer Mission and Better Oversight**

GAO/NSIAD-92-57, Mar. 13 (40 pages).

The Army, Air Force, and Navy spend millions of dollars each year to run prep schools coaching students for admission to the service academies. The schools' missions, however, are not clearly defined, and the schools appear to be pursuing different goals for specific subgroups, such as enlisted personnel, women, minorities, and recruited athletes—the main groups the schools now serve. For example, about half of the students at the Air Force prep school are recruited athletes, almost double the percentage at the Army and Navy Schools. Further, the Defense Department has limited information on the quality of the schools' programs and lacks the ability to assess whether the schools are cost-effective. GAO estimates that the Navy, Army, and Air Force prep programs cost about \$39,800, \$50,900, and \$60,900, respectively, for each student.

**Infantry Antitank Weapons Tests:
Assessment of the Army's Test and Evaluation of the Dragon II
and BILL**

GAO/NSIAD-92-170, Mar. 16 (11 pages).

After conducting side-by-side testing and evaluation of two antitank weapons—the Dragon II and the Swedish Bofors Infantry Light and Lethal (BILL)—the Army must choose the superior system to fill in until the

Army's new system called Javelin is fielded. The Army's selection must fully consider cost effectiveness and six performance measures, including tank killing capability, gunner survivability, portability by field troops, countermeasures vulnerability, system reliability, and safety. This report assesses the Army's evaluation, completed in January 1992. GAO discusses (1) whether additional tests are needed and (2) potential Dragon II improvements.

**Defense Inventory:
Control and Security Weaknesses Create Opportunities for Theft**

GAO/NSIAD-92-60, Mar. 17 (36 pages).

The Defense Department's inventory consists of billions of dollars in supplies stored at, or in transit to, supply depots and other locations. The inventory's size, makeup, and dispersion make it especially challenging to protect it from theft. In fiscal year 1989, Congress began requiring DOD to submit annual reports for three years on control and security of supplies. DOD reported that, in fiscal years 1989 and 1990, criminal investigations detected losses of about \$65 million; about \$51 million of this was recovered. According to summary analyses of the nearly 2,000 cases investigated annually, theft was not a major inventory problem. Rather, investigators and logistics officials said that most physical inventory losses appeared to result from paperwork problems. Recent FBI and DOD criminal investigations, along with GAO reports, suggest that weaknesses in the implementation of DOD's physical inventory control programs, in-transit controls, and physical security programs have created opportunities for theft.

**International Procurement:
NATO Allies' Implementation of Reciprocal Defense Agreements**

GAO/NSIAD-92-126, Mar. 18 (19 pages).

This report examines how various North Atlantic Treaty Organization (NATO) countries are implementing their reciprocal defense procurement memorandums of understanding with the United States. GAO (1) compares how the United States and the allies view the memorandums of understanding and implement certain aspects of the agreements; (2) examines whether memorandums of understanding provide opportunities for U.S. firms to compete freely and fairly in allied defense markets; (3) reviews the extent to which allied governments' tariff practices affect

contractor selections; (4) examines allied contract-award grievance procedures; and (5) addresses Defense Department monitoring of the memorandums of understanding.

Service Academies:

Historical Proportion of New Officers During Benchmark Periods

GAO/NSIAD-92-90, Mar. 19 (18 pages).

As a result of higher graduation rates from the service academies coupled with reduced demand for new officers, the proportion of newly commissioned officers coming from the academies has gradually increased during the past 20 years. Defense Department (DOD) projections for new officer accessions for fiscal year 1995-97 are lower than for any year since 1950. This report determines the proportion of newly commissioned officers provided by the academies to the respective services, relative to other sources, for appropriate benchmark periods. GAO uses DOD data on total active duty personnel, total officer accessions, academy officer accessions, and academy attrition and graduation trends to identify benchmark periods and the corresponding percentage of officer accessions coming from the academies in those periods.

Contract Pricing:

Threshold for Analysis of Subcontract Proposals Not Clear

GAO/NSIAD-92-69, Mar. 20 (19 pages).

This report discusses whether procurement officials consistently and uniformly interpret the dollar threshold at which prime contractors are required to submit analyses of cost or pricing data for prospective subcontracts—subcontract proposals that are not negotiated before prime contract negotiations with the government are completed. GAO found that, in the Defense Department (DOD), procurement officials identify two different dollar thresholds applicable to the federal acquisition requirement that prime contractors analyze cost or pricing data from prospective subcontractors before an agreement is reached on the prime contract price. These different interpretations could result either in the government not receiving analyses needed to establish fair and reasonable contract prices or in contractors being burdened with analyses of subcontract proposals not required by the government. In the short term, clarifying the federal acquisition regulation section on analyses could eliminate confusion about the threshold. For the long term, determining

the effects of potential thresholds for analysis of such data could be done in conjunction with the congressional mandated DOD Inspector General review of the effect of the threshold change in the Truth in Negotiations Act.

**Defense ADP:
Lessons Learned From Development of Defense Distribution
System**

GAO/IMTEC-92-25, Mar. 20 (30 pages).

To help consolidate management of all military supply depots, the Defense Department (DOD) has developed a prototype of the Defense Distribution System. This system is intended to automate the receiving, storage, and shipping functions at the depots. GAO evaluated the system as a case study of DOD efforts to standardize automated systems under its Corporate Information Management Initiative. This report discusses whether (1) DOD demonstrated that the system's potential benefits exceed its costs, (2) the system's functional and technical merits justified its consideration as a Departmentwide standard system, and (3) the system points to any significant problems that could affect DOD's other automated system standardization efforts.

**Foreign Technology:
Federal Processes for Collection and Dissemination**

GAO/NSIAD-92-101, Mar. 23 (33 pages).

The National Critical Technologies Panel, the Defense Department, and the Department of Commerce have each developed lists of defense-related and commercial technologies of major importance to the U.S. national interest. This report (1) determines the extent to which key U.S. officials and industry representatives used five federal processes for collecting and disseminating foreign technology information as well as in developing the federal critical technologies lists, (2) identifies the sources and nature of the foreign technology information used to develop the federal critical technologies lists, and (3) presents the views of U.S. officials and industry representatives on opportunities to improve federal processes for collecting foreign technology information. GAO also provides information on the (1) disparity in the number of researchers and students exchanged between the United States and Japan and (2) nature of selected U.S.

private sector efforts to collect and disseminate foreign technology information.

**Electronic Warfare:
Established Criteria Not Met for Airborne Self-Protection Jammer
Production**

GAO/NSIAD-92-103, Mar. 23 (seven pages).

The Navy's Airborne Self-Protection Jammer program is intended to produce a device that will protect Navy aircraft by interfering with the radars used to control enemy missiles and guns. The Defense Department (DOD) authorized limited production of the jammer in August 1989, despite its marginal performance during initial operational tests. In GAO's view, the jammer failed to meet criteria set for further production. Although the criteria were established and approved for the jammer's reliability growth tests, the Navy changed them after system failures arose during testing. The new criteria, which excluded software failures from the scoring of test results, allowed the jammer to pass the tests; otherwise, the device would have failed by a large margin. GAO concludes that the Navy's actions in this case circumvented DOD testing standards and failed to recognize the adverse impacts of software problems experienced with other electronic warfare systems similar to the jammer. Reliability growth tests done after the Defense Acquisition Board allowed the program to proceed show that the jammer still has software problems. GAO summarized this report in testimony before Congress; see:

Electronic Warfare: DOD Did Not Meet Test Criteria Before Production of the Airborne Self-Protection Jammer, by Louis J. Rodrigues, Director of Command, Control, Communications, and Intelligence Issues, before the Subcommittee on Federal Services, Senate Committee on Governmental Affairs. GAO/T-NSIAD-92-22, Mar. 25 (11 pages).

**Strategic Defense Initiative:
Estimates of Brilliant Pebbles' Effectiveness Are Based on Many
Unproven Assumptions**

GAO/NSIAD-92-91, Mar. 27 (30 pages).

President Bush directed in January 1991 that the Strategic Defense Initiative (SDI) program be refocused to protect against limited ballistic missile strikes. Consequently, a proposed space-based interceptor system

known as Brilliant Pebbles is now being assessed. During this early stage of Brilliant Pebbles' development, the Strategic Defense Initiative Organization (SDIO) has extensively used simulations to answer the question: If a system can be designed, manufactured, and deployed so that it functions as planned, will it provide the desired protection? SDIO believes that the answer is yes and is using the simulation results to improve the design. Congress should be aware, however, that the simulations are still immature and use many unproven assumptions. They do not prove that Brilliant Pebbles can be built and will work. Only later in the development cycle, after Brilliant Pebbles has been fabricated and tested, can assumptions be replaced with hard data. An extensive test program is planned over five years to gather information. As testing results replace assumptions, more confidence can be placed in the simulations' projections of the effectiveness of Brilliant Pebbles.

**Operation Desert Shield/Desert Storm:
Observations on the Performance of the Army's Hellfire Missile**

GAO/NSIAD-92-156, Mar. 30 (six pages).

During Operation Desert Storm, basic Hellfire missiles were effective against a variety of targets, not just enemy tanks. Some Apache units using the system, however, reported difficulty hitting their targets, and five Hellfire missiles were launched from Apaches without a launch command—four during training and one during ground maintenance. The Army is reevaluating the Hellfire's capabilities to determine whether its targets should be expanded beyond tanks. It is also trying to solve the reported accuracy and uncommanded launch problems.

Testimony

Defense Inventory: DOD Needs to Continue Efforts to Improve Its Requirements Determination and Ordering Process, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Subcommittee on Oversight of Government, Senate Committee on Governmental Affairs. GAO/T-NSIAD-92-16, Mar. 11 (12 pages).

GAO believes that Congress should discourage the Defense Department (DOD) from buying items that it does not need or sooner than it needs them so as to avoid having large amounts of unrequired inventory on hand. In this testimony on DOD's inventory management, GAO discusses five areas that have been plagued with long-standing problems. These areas include

the following: not using excess retail inventories to reduce requirements, not terminating contracts for excess-on-order materials, buying spare parts too early, excessive lead times resulting in buying too much, and not reducing buys when unserviceable assets could be repaired cheaper than buying new items.

Mine Warfare: The Navy's Plans to Reassign Ships to Ingleside, Texas, and to Consolidate Management, by Norman J. Rabkin, Associate Director for Navy Issues, before the Subcommittee on Seapower and Strategic and Critical Materials, House Committee on Armed Services. GAO/T-NSIAD-92-21, Mar. 17 (six pages).

GAO endorses the Navy's efforts to strengthen management of mine warfare forces by giving the head of the Mine Warfare Command operational control of ships, helicopters, and associated explosive ordnance disposal detachments. If the Navy provides the needed resources, holding the Mine Warfare Command accountable could improve oversight and direction of mine warfare activities. GAO is concerned, however, that the Navy has not adequately justified its decision to consolidate its mine warfare forces at Ingleside, Texas. The Navy did not adequately study other options that may offer equal or greater benefits than Ingleside at less cost.

Defense Force Management: Expanded Civilian Focus in Monitoring Civilian Force Reductions Is Needed, by Paul L. Jones, Director of Defense Force Management Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-92-19, Mar. 18 (14 pages).

Congressional concern over Defense Department (DOD) management of civilian force reductions led to recent legislation requiring DOD to submit a five-year civilian employment master plan for downsizing the industrial and commercial work force. In this testimony, GAO (1) summarizes some of the problems and limitations associated with DOD's five-year plan for its industrial and commercial workers, (2) places DOD's industrial and commercial work force within the framework of overall civilian force reductions, (3) contrasts DOD's management of civilian and military force reductions, and (4) suggests that the magnitude of planned civilian force reductions within DOD calls for a broader focus to monitoring civilian force reductions since the industrial and commercial sectors constitute only about one-third of DOD's total civilian work force.

Health Care: Readiness of U.S. Contingency Hospital Systems to Treat War Casualties, by David P. Baine, Director of Federal Health Care Delivery Issues, before the Subcommittee on Oversight and Investigations, House Committee on Veterans Affairs. GAO/T-HRD-92-17, Mar. 25 (17 pages).

How adequate are plans by the Defense Department (DOD), the Department of Veterans Affairs (VA), and other organizations to care for wartime casualties returning to the United States? GAO testified that DOD does not know enough about the qualifications or readiness of medical reservists; the number of beds expected to be available in DOD and VA hospitals is overstated; and DOD lacks adequate plans to develop more specialty care, such as burn treatment. Some communities lack adequate plans for receiving and transporting casualties, and systems to track casualties fall short. GAO also reported that VA medical centers have not planned for the continued care of beneficiaries displaced from those centers.

Defense Force Management: Status of Military Force Downsizing, by Paul L. Jones, Director of Defense Force Management Issues, before the Subcommittee on Manpower and Personnel, Senate Committee on Armed Services. GAO/T-NSIAD-92-20, Mar. 25 (21 pages).

This testimony examines the Defense Department's (DOD) military strength management during this period of military force reductions. GAO (1) focuses on the magnitude of force reductions now under way and where DOD stands both in relation to its long-term reduction plans and to congressionally authorized strength levels, (2) outlines programs designed to foster force reductions and minimize the adverse impact on individuals, (3) analyzes the extent of reductions by various separation categories, and (4) discusses funding for two special separation incentive programs authorized by Congress.

Depot Maintenance: Issues in Management and Restructuring to Support a Downsized Military, by Nancy R. Kingsbury, Director of Air Force Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-92-23, Mar. 26 (25 pages).

This testimony examines depot maintenance in the context of future restructuring and downsizing in the military. While GAO's remarks focus primarily on the Air Force, Navy and Army depot issues are also addressed. Drawing on past and ongoing work, GAO discusses the Air Force depot maintenance system—past, present, and future; Defense Management Report initiatives to improve depot maintenance activities;

additional opportunities to generate management efficiencies in Air Force depot maintenance operations; and related Army and Navy depot maintenance issues.

Defense Logistics: DOD Initiatives Related to Cutting Costs, by Donna M. Heivilin, Director of Logistics Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-92-94, Mar. 26 (10 pages).

GAO testified on issues related to the Defense Department's (DOD) defense management report savings initiatives. GAO discusses DOD's efforts to (1) consolidate supply depots, (2) develop standard automated data processing systems under the Corporate Information Management initiative, and (3) develop Computer Aided Logistics Support.

National Aero-Space Plane: Key Issues Facing the Program, by Nancy R. Kingsbury, Director of Air Force Issues, before the Subcommittee on Technology and Competitiveness, House Committee on Science, Space, and Technology. GAO/T-NSIAD-92-26, Mar. 31 (15 pages).

This testimony provides GAO's interim assessment of the National Aero-Space Plane Program and addresses the following four issues now confronting the program: Will the program include single-stage-to-orbit flight testing? How much will the program cost? How have changes affected the program's schedule? How much progress has been made in developing key technologies?

Natural Resources

Rangeland Management: Interior's Monitoring Has Fallen Short of Agency Requirements

GAO/RCED-92-51, Feb. 24 (53 pages).

Domestic livestock graze almost 270 million acres of federal land in the western United States. The impact of such grazing, which dates to the 1800s, is a matter of increasing concern to Congress. While the Bureau of Land Management (BLM) has done the required monitoring of range conditions, it has decided appropriate grazing levels for only about 20 percent of the 14,500 allotments covered by environmental impact statements issued more than five years ago. Further, it has not monitored about 7,200 allotments at all. For the allotments it has monitored, BLM has generally not analyzed the data or decided on appropriate grazing levels.

BLM range managers cite staff shortages and higher priority work as important reasons why the monitoring has not been more extensive. GAO's findings are consistent with those in earlier reports on BLM's rangeland management program. These reports pointed out that BLM is hampered in its ability to protect rangelands from grazing damage and to restore damaged lands because of insufficient funding and staff.

**Great Lakes Fishery Commission:
Actions Needed to Support an Expanded Program**

GAO/NSIAD-92-108, Mar. 9 (15 pages).

Sea lampreys, eel-like parasites that prey on fish, are native to the Atlantic Ocean but gained entry to the Great Lakes through the Erie Canal in the late 19th century. In response to concerns about decimated fish stocks, the Great Lakes Fishery Commission was created in 1955 to check the sea lamprey population. This report discusses (1) whether the Commission, a joint U.S.-Canadian venture, uses an ecosystem management approach that considers the potential harmful effects of sea lamprey control efforts; (2) what progress the Commission has made in adopting nonchemical methods to control the sea lamprey; and (3) if the Commission could effectively spend more funding on research for alternative control methods.

**Science, Space, and
Technology**

**Space Projects:
Status and Remaining Challenges of the Advanced X-ray
Astrophysics Facility**

GAO/NSIAD-92-77, Feb. 28 (27 pages).

The Advanced X-ray Astrophysics Facility is being designed for NASA at an estimated cost of about \$2 billion. Since fiscal year 1989, the program's estimated cost has risen by about 23 percent and its launch schedule has slipped by two years, mainly because of budget cuts imposed by NASA and Congress. To keep program costs down, NASA has used part of its cost reserves being held for future unanticipated changes and has reduced the number of spare parts it plans to buy, a move that has increased the program's schedule risk. Further cost increases could result if NASA launches the observatory on an expendable launch vehicle rather than the space shuttle. Test results to date show that the first pair of mirrors has met the requirements for mirror resolution mandated by Congress, and

NASA expects overall mirror performance to meet contractual standards. NASA will have overcome several challenges, however, if it is to successfully launch and operate the observatory.

Federal Research:

Small Business Innovation Research Shows Success but Can Be Strengthened

GAO/RCED-92-37, Mar. 30 (91 pages).

As a nation competing in a global economy, the United States depends heavily on research and development (R&D). The Small Business Innovation Research Program was created in 1982 to strengthen the R&D role of small, innovative companies. Even though many program projects have not yet had enough time to achieve their full commercial potential, the program is showing success in Phase III, which involves the use of nonfederal funds for commercial application of a technology. Most Phase III activity took place in the private sector, showing a trend toward one of the program's goals—increasing private-sector commercialization. Major federal agencies, however, differ in their responses to this goal, as shown by their wide variation in average sales per project and the percentage of sales to the private sector. GAO notes three issues that need to be addressed: (1) the extent of the Defense Department's commitment to the goal of increasing private-sector commercialization, (2) inconsistent practices in requiring competition for projects entering Phase III, and (3) the need to clarify the circumstances under which an agency may work on its own or continue working with the company through follow-on contractors after program funding ends. GAO summarized this report in testimony before Congress; see:

Federal Research: Small Business Innovation Research Program Shows Success but Can Be Strengthened, by Jim Wells, Associate Director for Energy Issues, before the Subcommittee on Innovation, Productivity, and Technology, Senate Committee on Small Business. GAO/T-RCED-92-45, Mar. 31 (20 pages).

Testimony

The SP-100 Nuclear Reactor Program: Should It Be Continued?, by Mark E. Gebicke, Director of NASA Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-NSIAD-92-15, Mar. 12 (20 pages).

The SP-100 Space Nuclear Reactor Program was created to develop technology for space reactor power systems used in future NASA and Defense Department space missions. The program has been struggling, and the government is at a point at which it must decide whether to continue it. GAO's testimony discusses (1) the program's past and projected costs, (2) missions identified by potential users of the technology, (3) recent events that raise questions about the program's continued viability, and (4) possible options for the program's future.

NASA Budget: Potential Shortfalls in Funding NASA's Five-Year Plan, by Neal P. Curtin, Director of Planning and Reporting in the National Security and International Affairs Division, before the Subcommittee on Science, Technology, and Space, Senate Committee on Commerce, Science, and Transportation. GAO/T-NSIAD-92-18, Mar. 17 (five pages).

In this testimony on NASA five-year program, GAO indicates that NASA's planning is overly optimistic given the President's budget proposal and the fiscal constraints established on discretionary spending by the Budget Enforcement Act. In summary, there appears to be a serious mismatch between NASA's programs and likely budget resources. NASA's recently prepared strategic plan does not address this mismatch. Without a meaningful strategic plan, NASA will have to significantly adjust its spending plan each year to make up for lower than expected funding. This could lead to program cutbacks, terminations, and stretchouts as costs are pushed into the future.

NASA Procurement: Approach to Sharing Risk Under Certain Research and Development Contracts Is Starting to Change, by Mark E. Gebicke, Director of NASA Issues, before the Subcommittee on Space and before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-NSIAD-92-12, Mar. 18 (15 pages).

In procuring research and development, NASA has typically accepted all of the cost risk by using cost reimbursement contracts without any cost-sharing provisions. Recently, however, NASA headquarters procurement officials have advocated shifting some risk to contractors in two proposed multiple-unit contracts in which a production phase can be reasonably defined. This testimony addresses the following points: (1) how NASA allocates risk for research and development contracts, (2) how the Defense Department uses warranties, (3) how NASA uses the inspection and correction of defect warranty in its research and development contracts and its cost, and (4) the availability of insurance to cover

contractors' materials and quality defects. GAO also notes several ways to shift more risk to contractors without changing laws or regulations.

NASA Aeronautics: Efforts to Preserve U.S. Leadership in the Aeronautics Industry Are Limited, by Mark E. Gebicke, Director of NASA Issues, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations. GAO/T-NSIAD-92-14, Mar. 18 (12 pages).

This testimony examines NASA's efforts to preserve U.S. leadership in the aeronautics industry—a field vital to America's economic and military well-being. GAO discusses (1) the competitive position of the U.S. aeronautics industry and NASA's relationship to it, (2) NASA's funding of its aeronautics program, and (3) research and technology demonstration activities associated with the commercial aeronautics industry.

Social Services

Board and Care Homes: Elderly at Risk from Mishandled Medications

GAO/HRD-92-45, Feb. 7 (pages).

Board and care homes for the elderly are nonmedical, community-based facilities that provide room, meals, and some supervision of residents, including assistance with medications. In reviewing board and care homes in three states—California, Missouri, and Washington—GAO found that staff receive little medication training and often violate medication-handling regulations; state inspection procedures may not spot such violations; and staff frequently did not keep required resident records. While resident records supported the appropriateness of medications for about half of the 35 residents GAO reviewed, they were insufficient for GAO to judge the others. GAO concludes that residents in these homes are at risk of medication errors and that the Department of Health and Human Services should help states address these medication handling issues and develop training programs. GAO summarized this report in testimony before Congress; see:

Board and Care Homes: Medication Mishandling Places Elderly at Risk, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Health and Long-Term Care, House Select Committee on Aging. GAO/T-HRD-92-16, Mar. 13 (nine pages).

Testimony

Reducing Youth Violence: Coordinated Efforts and Early Intervention Strategies Could Help, by Gregory J. McDonald, Director of Human Services Issues, before the Senate Committee on Governmental Affairs. GAO/T-HRD-92-22, Mar. 31 (19 pages).

Violence committed by youth is a serious and growing problem in the United States. This testimony focuses on (1) the scope of the problem and the characteristics of youth at risk of committing serious crime, (2) two promising early prevention strategies that could reduce the chances of youth committing violent or delinquent acts, and (3) current federal funding to prevent youth delinquency and violence.

Tax Policy and Administration

**Tax Policy and Administration:
Luxury Excise Tax Issues and Estimated Effects**

GAO/GGD-92-9, Feb. 26 (41 pages).

Beginning in 1991, a new excise tax was imposed on the sale of certain luxury items, including boats, cars, aircraft, jewelry, and furs. Diverse factors have influenced both supply and demand for these five luxury products, and GAO could not untangle the effect of the variables. For instance, the recession probably harmed sales of all five items. Car sales, in particular, were probably affected by an increase in the gas guzzler tax, while plane sales fell during the 1980s as a result of product liability costs. This report examines in detail the effect of the tax on all five luxury product markets and provides information on anticipated tax revenues, the Internal Revenue Service's actual collections, and the costs and issues associated with administering the tax. GAO also discusses other products that have been taxed in the past as luxury items in the United States and abroad.

**Tax Administration:
IRS' System Used in Prioritizing Taxpayer Delinquencies Can Be Improved**

GAO/GGD-92-6, Mar. 26 (14 pages).

The Resources and Workload Management System was begun in 1986 to improve management of the Internal Revenue Service's (IRS) inventory of taxpayer delinquencies and maximize collections. Using various formulas, the system assigns scores to delinquencies that relate to probable

collections when returns have been filed or to probable amounts due when nonfilers are involved. IRS has recently begun revising current formulas and developing new ones to improve the relationship between scores and probable collections or amounts owed. Regression analysis will be used to test hundreds of potentially relevant variables. This report provides GAO's views on how IRS could improve the system and its future evaluation of formulas.

Testimony

Tax Administration: Federal Contractor Tax Delinquencies and Status of the 1992 Tax Return Filing Season, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-92-23, Mar. 17 (33 pages).

More than 5,700 federal contractors last year owed the government \$773 million in back taxes and penalties—and another 1,100 were under investigation for not even filing returns—but the Internal Revenue Service (IRS) has been lax in collecting delinquencies from contract payments. While the 1986 Tax Reform Act requires federal agencies to report information on federal contracts, IRS still lacks procedures to fully use the information received and to ensure that all required information is properly reported. Further, IRS has not taken full advantage of contract payments as a way to collect delinquent taxes. On a related matter, GAO testified that its monitoring of the 1992 filing season indicates that the accuracy of telephone assistance has improved, but the public is still having difficulty reaching an assistor; getting forms and publications is harder this year; and, while IRS is doing a good job processing returns, the Earned Income Credit continues to cause problems.

Transportation

High-Speed Ground Transport: Acquiring Rights-of-Way for Maglev Systems Requires a Flexible Approach

GAO/RCED-92-82, Feb. 10 (50 pages).

Magnetic levitation (maglev), a form of high-speed ground transportation, could relieve highway and aviation congestion, conserve energy, and reduce air pollution. Maglev technology relies on powerful electromagnets to lift vehicles above a guideway and propel them at speeds of up to 300 miles per hour. In the United States, a number of maglev systems are being considered, but problems in acquiring rights-of-way—the right to move

across property and to erect associated facilities—may impede system implementation. This report identifies right-of-way alternatives and assesses the advantages and disadvantages of each.

**Aviation Research:
Information on Funding, Staffing, and Timing of FAA's Research
Projects**

GAO/RCED-92-108FS, Feb. 28 (43 pages).

Although the Federal Aviation Administration (FAA) is spending billions to modernize the air traffic control system, accommodating increased air travel and maintaining air safety continue to pose long-term challenges. To help FAA meet these challenges, recent legislation requires the agency to allocate at least 15 percent of its Research, Engineering, and Development Program funding to long-term research for fiscal years 1989 and 1990. In light of congressional oversight of FAA's fiscal year 1993 budget request, GAO studied the agency's research programs. This fact sheet provides information on project funding, staffing, and scheduling data for fiscal years 1988-91. GAO summarized this report in testimony before Congress; see:

Aviation Research: Progress Has Been Made but Several Factors Will Affect Program Success, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Technology and Competitiveness, House Committee on Science, Space, and Technology. GAO/T-RCED-92-39, Mar. 10 (14 pages).

**Mass Transit Grants:
Risk of Misspent and Ineffectively Used Funds in FTA's Chicago
Region**

GAO/RCED-92-53, Mar. 4 (72 pages).

Financial losses in federally administered savings and loan and housing programs have raised questions about the adequacy of management and internal controls protecting federal programs. In response, GAO has been reviewing 16 federal programs to help ensure that areas vulnerable to waste, fraud, abuse, and mismanagement are identified and appropriate corrective actions taken. This report presents the results of one of several GAO reviews of the Federal Transit Administration (FTA) and examines (1) grantee compliance—including the Chicago Transit Authority in FTA's

Region V—with federal requirements and (2) the effectiveness of FTA's oversight of Region V grantees. GAO concludes that grantees' inadequate controls and the region's ineffective oversight have left Region V grants vulnerable to a myriad of problems. Region V's monitoring lacks the scope, depth, and timeliness to reasonably ensure the proper use of funds.

**Truck Safety:
The Safety of Longer Combination Vehicles Is Unknown**

GAO/RCED-92-66, Mar. 11 (53 pages).

Twenty states, most of them in the West, allow longer combination vehicles to operate but have very different restrictions on the types of vehicles allowed, the routes on which they can operate, and their length and weight. Although such vehicles have been on the roads for more than 30 years, little definitive information on their safety is available. Due to data problems and different study approaches, existing studies on the accident rates of multiple-trailer trucks have reached widely different conclusions about the safety of longer combination vehicles. Longer combination vehicles may be less stable and maneuverable than single-trailer trucks, which can affect their safety. However, the operational characteristics of longer combination vehicles can be affected by many factors, including the type of vehicle, the driver, the distribution of the load, the equipment used, and road conditions. Until data shortcomings are overcome, the actual impact of all types of longer combination vehicles on highway safety will remain unknown. Congress has passed legislation prohibiting the expansion of longer combination vehicle use. Although this law also requires several actions to improve transportation data, it does not specify the kind of truck data required.

**Computer Reservation Systems:
Action Needed to Better Monitor the CRS Industry and Eliminate CRS Biases**

GAO/RCED-92-130, Mar. 20 (28 pages).

Since first offered to travel agents in the mid-1970s, airline-owned computer reservation systems (CRS) have come to be used for more than 90 percent of travel agents' domestic airline sales. Past GAO reports have raised concerns about the restrictive marketing practices of these systems. This report examines possible biases toward the airline whose internal reservation system is housed in the CRS it owns. Such systems are called

"hosted" CRSS because the internal reservation system for the airline owning the CRS is located within the CRS and uses some of the same hardware, software, and data bases that operate the CRS. GAO found that differences exist in the way the design, or architecture, of CRSS treats host and participating airlines. These differences may make it easier and more reliable to obtain information and book flights on the host airline than on participating airlines. Although disagreeing on the extent and significance of existing differences, CRS vendors and airlines alike favor the elimination of any differences. A lack of current information makes it hard to know whether dehosting would eliminate significant differences in CRS treatment of host and participating airlines more effectively than would current and proposed technologies. The Department of Transportation needs to ensure that CRSS offer equal opportunities for all airlines marketing their products through such systems, including requiring CRS vendors to remove all functional differences in treatment between host and participating airlines that can be removed without dehosting.

Testimony

Air Traffic Control: Challenges Facing FAA's Modernization Program, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-92-34, Mar. 3 (15 pages).

To minimize continuing cost increases, schedule delays, and performance problems in key air traffic control modernization projects, the Federal Aviation Administration (FAA) has taken important steps to reform its acquisition process. GAO testified, however, that FAA needs to follow through with its acquisition reforms to prevent new projects from experiencing the same problems. Despite its launching of acquisition reform, FAA still has not announced its new plan to consolidate major air traffic control facilities. FAA's decisions on consolidation will affect facilities and equipment funding levels because its current funding plans rely on a level of consolidation not operationally feasible. Additionally, the accomplishment of key tasks needed to make satellite technology useful for air traffic control may also affect facilities and equipment funding levels over the next years. GAO doubts that these uncertainties will be resolved before Congress votes on the length and size of the facilities and equipment reauthorization.

Aviation Safety: Commuter Airline Safety Would Be Enhanced With Better FAA Oversight, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-92-40, Mar. 17 (13 pages).

The millions of people flying on commuter airlines expect the highest level of safety. Although the Federal Aviation Administration (FAA) has significantly improved its inspection program, GAO testified that problems remain in oversight of airlines, including commuters. For example, FAA's routine surveillance has sometimes failed to detect serious safety violations. By strengthening its routine and special inspections, FAA may have greater assurance that safety problems will be identified and corrected. On a related matter, GAO noted that FAA still lacks a system to target its limited inspection resources to airlines that have the poorest safety performance—an issue GAO first identified in 1987.

Veterans Affairs

**VA Life Insurance:
Administrative Costs for Three Programs Should Be Paid From
Excess Funds**

GAO/HRD-92-42, Mar. 10 (17 pages).

The government now spends more than \$27 million annually on the administrative costs of three life insurance programs run by the Department of Veterans Affairs. Yet GAO found that these three long-standing insurance programs for U.S. veterans, which pay substantial dividends to policyholders, could comfortably pay their own administrative costs without risk of insolvency or increased premiums and with little impact on policyholder dividends. In GAO's view, because policyholders are not entitled to dividends by law or contract and they would experience only a slight dividend cut, it would be neither illegal nor unfair to have administrative costs paid out of excess program income. Because the law now requires the government to pay administrative costs, GAO supports legislation that would shift program administration costs from the federal government to the program.

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AGRICULTURE AND FOOD

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- ☐ Pesticides: USDA's Pesticides Residue Research Project
GAO/T-RCED-92-38, Mar. 11.

- ☐ Food Safety: USDA's Data Program Not Supporting Critical Pesticide Decisions
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- ☐ Accrual Budgeting: GAO's Views on the Proposed Treatment of Deposit Insurance and Pension Guarantees
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- ☐ Impoundments: Comments on Proposed Deferrals of International Disaster Assistance and Timber Salvage Funds
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GAO/RCED-92-68, Jan. 31.

- ☐ Small Business: The Small Business Administration's Progress in Restructuring Its 8(a) Business Development Program
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- ☐ Welfare to Work: Effectiveness of Tribal JOBS Programs Unknown
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- ☐ Nuclear Waste: Development of Casks for Transporting Spent Fuel Needs Modification
GAO/RCED-92-56, Mar. 13.

- ☐ Nuclear Health and Safety: Increased Rating Results in Award Fee to Rocky Flats Contractor
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- ☐ Energy Reports and Testimony: 1991
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- ☐ International Environment: Kuwaiti Oil Fires—Chronic Health Risks Unknown but Assessments Are Under Way
GAO/RCED-92-80BR, Jan. 16.

- ☐ Air Pollution: Global Pollution From Jet Aircraft Could Increase in the Future
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- ☐ Air Pollution: EPA's Actions to Ensure Vehicle Compliance With Emission Standards
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- ☐ Asbestos Removal and Disposal: EPA Needs to Improve Compliance With Its Regulations
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- ☐ Resolution Trust Corporation: Status of Loans and Other Assets Inventory System
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- ☐ Resolution Trust Corporation: Status of Real Estate Owned Management System
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- ☐ Resolution Trust Corporation: Review of Information Reporting Requirements for Asset Management Contractors
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- ☐ Resolution Trust Corporation: Corporate Strategy Needed to Improve Information Management
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☐ Resolution Trust Corporation: Preliminary Results of Western Storm Investigation and Related Contracting Deficiencies
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☐ Resolution Trust Corporation: Performance Assessment for 1991
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☐ The Changing Workforce: Demographic Issues Facing the Federal Government
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☐ Medicare: Rationale for Higher Payment for Hospital-Based Home Health Agencies
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☐ Medicare: Payments for Medically Directed Anesthesia Services Should Be Reduced
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☐ Board and Care Homes: Medication Mishandling Places Elderly at Risk
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☐ Reducing Youth Violence:
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GAO/T-HRD-92-22, Mar. 31.

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